

Rich Valuations ; maintain Sell

We maintain Sell rating on GlaxoSmithKline Pharma (GSK) and revise our TP to Rs1,650 (earlier Rs1,850) based on 24x March'20E EPS of Rs68.7. GSK's Q4FY18 results were below our estimates. GSK revenue declined by 5%YoY, EBITDA margin improved 330bps to 20.7% and net profit before EO item grew 22% YoY. GSK's major brands grew by high single digit to double digit during the quarter. That said, the company has a strong presence in the vaccines segment and is likely to derive growth from the same. Key risks to our assumptions include faster-than-expected growth in the domestic market and higher growth of its flagship brands. We recommend a switch to other pharma companies, Abbott India or Pfizer, due to GSK's rich valuations.

- **Revenues likely to grow:** GSK's revenue declined by 5%YoY to Rs7.49bn in Q4FY18. Its major brands grew by high single digit to double digit during the quarter. The pharma business had double digit growth during the quarter. The 10% price increase on non-NLEM products from April'18 is likely to improve revenues. GSK's top 22 brands contributed ~68% to its revenues. Ten of these grew faster than the market growth rate of 9.5% and are likely to drive future growth. The launch of new products and vaccines would also drive growth.
- **EBITDA margin grew by 330bps:** GSK's EBITDA margin grew 330bps to 20.7% from 17.4% a year ago, mainly due to the reduction in material cost and other expenses. The company's material cost declined by 430bps to 41.8% from 46.1% due to improved sales mix. Personnel cost grew by 260bps to 17.6% from 15.0% due to annual increments. Other expenses declined by 160bps to 19.9% from 21.5%. We expect GSK's margin to improve going forward, due to price revisions for non-NLEM products from April'18 and additional sales from the vaccine portfolio acquired from Novartis India and the launch of new vaccines.
- **Net profit grew by 22%:** GSK's net profit before EO items grew by 22% YoY to Rs1,056mn from Rs868mn due to higher margin and higher interest income. Its interest income grew 22% to Rs181mn from Rs149mn. Net profit after EO items declined by 6% YoY to Rs1,056mn from Rs1,127mn. EO item of Rs259mn in Q4FY17mn was from the sale of property and divestment of non-core brands. We expect net profit to improve led by margin improvement, additional revenues from Rabipur, and price revision of its brands. GSK is a debt free cash rich company with cash/share of Rs153.
- **Recommendation and view:** GSK's performance during the quarter improved due to re-stocking by trade after implementation of GST. We have revised our EPS estimates for FY19 and FY20 downwards by 7% and 11%, respectively as the Q4FY18 results were below our estimates. We maintain our Sell rating on the scrip, and have revised our TP to Rs1,650 based on 24x March'20E EPS of Rs68.7, with a downside of 31.3% from the CMP due to its rich valuations. We recommend a switch to Abbott India or Pfizer.

Y/E Mar (Rs mn)	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Q4FY18E	QoQ (%)
Revenues	7,486	7,837	(4.5)	7,039	6.4	8,500	(11.9)
Raw material cost	3,130	3,610	(13.3)	2,802	11.7	3,450	(9.3)
Employee cost	1,317	1,176	12.0	1,239	6.3	1,270	3.7
Other expenses	1,490	1,684	(11.5)	1,580	(5.7)	1,780	(16.3)
EBITDA	1,549	1,367	13.3	1,418	9.2	2,000	(22.6)
EBITDA margin (%)	20.7	17.4	-	20.1	-	23.5	-
Depreciation	94	78	20.5	134	(29.9)	140	(32.9)
Interest	(181)	(149)	21.5	(120)	0.0	-163	11.0
Other income	0	0	NA	0	0.0	0	NA
PBT	1,636	1,438	13.8	1,404	16.5	2,023	(19.1)
Prov. For tax	580	570	1.8	507	14.4	700	(17.1)
PAT	1,056	868	21.7	897	17.7	1,323	(20.2)

Source: Company, Centrum Research Estimates

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	DEPS Rs.	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY16	28,379	7.4	4,782	16.8	3,739	(11.5)	44.1	18.6	19.5	75.0	55.7
FY17	30,000	5.7	4,188	14.0	2,911	(22.1)	34.4	13.9	14.6	88.8	59.6
FY18	28,957	(3.5)	5,055	17.5	3,330	14.4	39.3	16.4	17.2	62.6	38.7
FY19E	33,919	17.1	6,280	18.5	4,528	36.0	53.5	21.7	22.9	44.9	30.9
FY20E	39,698	17.0	8,037	20.2	5,818	28.5	68.7	26.8	28.1	35.0	24.2

Source: Company, Centrum Research Estimates

In the interest of timeliness, this document is not edited

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Target Price	Rs 1,650	Key Data	
CMP*	Rs2,402	Bloomberg Code	GLXO IN
Downside	31.3%	Curr Shares O/S (mn)	84.7
Previous Target	Rs1,850	Diluted Shares O/S(mn)	84.7
Previous Rating	Sell	Mkt Cap (Rsbn/USDbn)	203.4/3
Price Performance (%)*		52 Wk H / L (Rs)	2700/2020
	1M 6M 1Yr	5 Year H / L (Rs)	3872/2020
GLXO IN	2.7 (2.1) 3.1	Daily Vol. (3M NSE Avg.)	11629
Nifty	0.2 3.4 11.5		

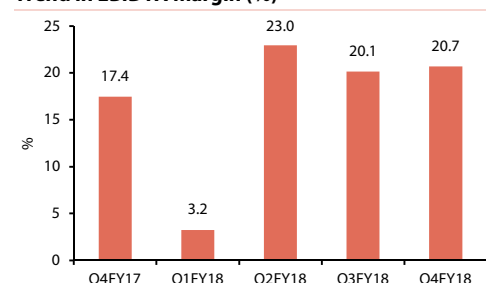
*as on 28th May 2018 Source: Bloomberg, Centrum Research

Shareholding pattern (%)*

	Mar-18	Dec-17	Sept-17	Jun-17
Promoter	75.0	75.0	75.0	75.0
FIs	1.6	1.7	1.8	1.8
DIs	10.8	10.7	10.6	10.4
Others	12.6	12.6	12.6	12.8

Source: BSE, *as on 28th May 2018

Trend in EBITDA margin (%)



Source: Company, Centrum Research

Earning Revision

Particulars (Rs mn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	33,919	37,150	(8.7)	39,698	42,920	(7.5)
EBITDA	6,280	6,911	(9.1)	8,037	9,209	(12.7)
EBITDA Margin (%)	18.5	18.6	(10)bps	20.2	21.5	(130)bps
PAT-adj.	4,528	4,887	(7.3)	5,818	6,530	(10.9)

Source: Centrum Research Estimates

Centrum vs. Bloomberg Consensus*

Particulars (Rs mn)	FY19E			FY20E		
	Centrum	BBG	Var (%)	Centrum	BBG	Var (%)
Sales	33,919	33,223	2.1	39,698	36,990	7.3
EBITDA	6,280	6,156	2.0	8,037	7,488	7.3
PAT	4,528	4,369	3.7	5,818	5,115	13.7

Bloomberg Consensus*				Centrum Target Price (Rs)	Variance (%)
BUY	SELL	HOLD	Target Price (Rs)		
3	7	3	2,332	1,650	(29.2)

*as on 28 May 2018; Source: Bloomberg, Centrum Research Estimates

Ranjit Kapadia, ranjit.kapadia@centrum.co.in; 91 22 4215 9645

Performance of major brands

As per AIOCD AWACS March'18 data, GSK's revenue grew 7.8% YoY, compared to the industry growth rate of 9.5% YoY. The company's top 22 brands contributed ~68% to its revenue and hence it is highly dependent on these brands. Ten of GSK's major brands grew faster than the market growth rate of 9.5%. We expect these ten brands to drive future growth.

GSK is a dominant player in the vaccine segment in the domestic market and has five vaccines in the top 500 products namely: Synflorix, Rotarix, Havrix, Varilrix and Boosterix. The company's Boosterix vaccine reported good growth of 25% during March'18. GSK had successfully launched Priorix-Tetra, a combination of measles, mumps, rubella and varicella vaccine in Q2FY17 in the domestic market. GSK launched Entero Plus-probiotic food supplement and reinstated the manufacture of Neosporin powder during Q4FY17. The company launched 'Biopatch' wound dressing which is in-licensed from Johnson & Johnson in India. GSK has invested Rs1.15bn to construct a dedicated facility for manufacturing Eltroxin.

GSK is the market leader and has market share of 34% in the vaccines segment. The company acquired the distribution rights for Novartis' vaccine portfolio including Rabipur. We expect the vaccine business to drive GSK's future growth.

The details are as follows:

Exhibit 1: Performance of major brands

Products	Ther. Category	January'18		February'18		March'18	
		Rs mn	Gr. Rate %	Rs mn	Gr. Rate %	Rs mn	Gr. Rate %
Pharma industry		1,00,565	9.5	97,543	7.1	100292	9.5
Company		3,117	7.7	2,879	1.8	3,011	7.8
Augmentin	Antiinfective	328	29.0	324	27.3	311	29.6
Synflorix	pneumonia vaccine	218	(1.3)	204	(17.8)	234	(0.1)
Calpol	Antipyretic	134	5.8	151	18.8	160	25.2
Betnovate-C	dermatological	168	9.5	109	(19.4)	154	7.8
Zinetac	Antiulcer	172	(6.1)	149	7.3	152	29.7
Betnovate-N	dermatological	164	8.2	146	(3.1)	166	5.5
Eltroxin	Thyroid Hormone	127	0.1	122	0.0	130	6.4
Ceftum	Antiinfective	123	16.5	121	25.3	129	28.5
Betnesol	Antiinflammatory	94	12.9	87	10.1	85	14.9
Rotarix	rotavirus vaccine	78	(7.8)	59	(29.6)	60	(25.4)
Havrix	Hepatitis A vaccine	69	(7.2)	50	(38.6)	63	(18.4)
Phexin	Antiinfective	61	(7.2)	63	3.6	62	13.5
T-bact	Antiinfective	91	27.9	76	20.8	83	38.1
CCM	calcium, vitamins	46	(6.7)	47	(6.1)	49	(10.1)
Betnovate-GM	dermatological	47	17.3	48	23.3	47	19.2
Cobadex-CZS	vitamins, minerals	39	(11.3)	41	(4.9)	31	(30.7)
Varilrix	chickenpox vaccine	30	(5.1)	11	(65.1)	3	(90.9)
Otrivin	nasal decongestant	59	39.2	51	0.0	38	0.0
Boosterix	vaccine	39	(10.6)	43	72.0	36	25.1
Cobadex	vitamins	16	(25.6)	15	(36.6)	13	(47.1)
Ostocalcium B12	Calcium & Vitamin D	24	(2.7)	22	(15.9)	25	(4.3)
Neosporin Skin	anti infective	28	68,466.2	28	2,250.7	29	52.8
Total		2,155	NA	1,967	NA	2,060	NA

Source: AIOCD AWACS monthly data-January-March'18

Valuation and recommendation

At the CMP of Rs2,402, GSK trades at 44.9x FY19E EPS of Rs53.5 and 35.0x FY20E EPS of Rs68.7. We expect the company to perform well, driven by strong volume growth of price-controlled products and price increase up to 10% for non-NLEM products. GSK's pharma portfolio had double digit growth during Q4FY18. We maintain our Sell rating on the scrip, with a revised TP of Rs1,650 based on 24x March'20E EPS of Rs68.7, and with a downside of 31.3% from the CMP due to its rich valuations. We recommend a switch to other pharma companies, Pfizer or Abbott India.

Earning Revision

We have revised our EPS estimates for FY19 and FY20 downwards by 7% and 11% respectively as follows:

Exhibit 2: Earning Revision

Particulars (Rs mn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	33,919	37,150	(8.7)	39,698	42,920	(7.5)
EBITDA	6,280	6,911	(9.1)	8,037	9,209	(12.7)
EBITDA Margin (%)	18.5	18.6	(10)bps	20.2	21.5	(130)bps
PAT-adj.	4,528	4,887	(7.3)	5,818	6,530	(10.9)

Source: Centrum Research Estimates

Justification of valuation and rating

- Our valuation is based on P/E multiples of peer MNC pharma companies and other large-cap companies. MNC pharma companies include Abbott India (24x), GSK (24x), Merck (16x), Pfizer (23x) and Sanofi India (25x). Large-cap pharma companies are: Biocon (20x), Cipla (24x), Dr. Reddy's Labs (21x), FDC (17x), Lupin (23x), Aurobindo (18x) and Sun Pharma (26x).
- At the CMP of Rs2,402, GSK trades at 44.9x FY19E and 35.0x FY20E EPS, which is a rich valuation than its peers, which trade at much lower valuations.
- Top 22 products contributed ~68% to GSK's revenues; hence, the company has high dependence on these products. Its largest selling brand, Augmentin, is under price control. Augmentin contributes ~11% to GSK's revenues and grew at 29.6% in March'18 despite being under price control.
- GSK has posted double-digit sales growth in two out of the last eight quarters.
- GSK's EBITDA margin improved by 330bps YoY to 20.7% from 17.4% in Q4FY18 and improved by 60bps QoQ to 20.7% from 20.1% indicating that GSK is on the recovery path.
- The stock outperformed in the past due to the open offer of Rs3,100 per share by the parent company to increase its stake to 75% from 51%. However, this is not possible now as it has already reached the threshold level of 75%. The only possibility is de-listing which the parent company is unlikely to do.
- GSK has closed the Thane (area: 60 acres) and Bangalore (area: 80 acres) manufacturing facilities. The company has entered into an agreement to sale Thane property for Rs5.55bn subject to necessary approvals and has already received the amount. The company is waiting for regulatory approvals to conclude the transaction. GSK is scouting for a suitable buyer for its prime property at Bangalore.
- The rich valuation may also be due to over 40,000 shareholders holding <10 shares (majority in physical form) and who are not willing to sell the shares due to higher dividend yield.
- GSK has committed a capex of ~Rs10.0bn for a greenfield project near Bangalore which is likely to commence production in 2018; hence, the company will be in capex mode till then. The plant will have the capacity to manufacture 8bn tablets and 1bn capsules per annum and would be based on 'Continuous Production Technology' compared to currently used 'Batch Manufacturing Process'.
- GSK has been badly hit by NPPA provisions as its two major key brands, Augmentin and Zentel, came under price control and their MRP reduced sharply by over 40%. This has hit the company's sales and profitability and the company has taken a long time to recover from the same.

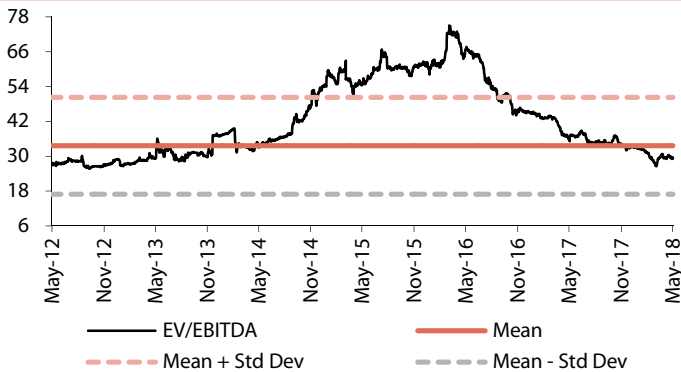
- We maintain our Sell rating on the stock as it has rich valuations compared to its peers. We expect GSK to strengthen its vaccine portfolio with the introduction of new products.
- GSK's revenue growth for FY18 was adversely impacted due to a series of price controls. We expect the price control impact to minimise due to strong volume growth for its major brands.

Exhibit 3: Sensitivity Analysis

Sensitivity to key variables – FY19E	% change	% impact on EBITDA	% impact on EPS
Sales	1	5.4	7.5
Material cost	1	(2.3)	(3.2)

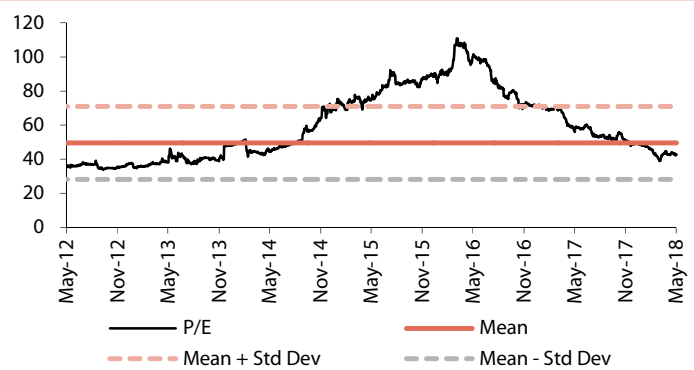
Source: Company, Centrum Research Estimates

Exhibit 4: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 5: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 6: Comparative Valuations

Company	Mkt Cap (Rs mn)	CAGR FY17-FY19E%			EBIDTA margin (%)			P/E(x)			EV/EBIDTA(x)			RoE(%)			Div. Yield(%)		
		Revenue	EBIDTA	PAT	FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E
Glaxo SK Pharma	2,03,449	6.3	22.5	24.7	14.0	17.5	18.5	88.8	62.6	44.9	59.6	38.7	30.9	13.9	16.4	21.7	1.2	1.7	2.0
Abbott India	1,43,948	15.3	33.9	39.2	13.5	15.9	18.3	35.6	25.1	26.9	22.0	16.4	18.1	21.4	26.1	28.4	1.0	1.5	1.1
Pfizer	1,11,859	10.7	38.0	52.3	17.1	25.3	26.6	40.8	24.1	23.4	24.2	17.4	16.8	9.0	14.1	16.8	0.8	0.8	1.0
Sanofi India*	1,13,699	7.9	8.4	15.3	22.1	21.6	22.3	32.5	30.1	28.1	17.4	16.9	17.0	17.3	16.7	19.1	1.9	2.0	1.9

Source: Company, Centrum Research Estimates, * December ending Prices as on 28th May 2018

Quarterly financials, Operating Metrics and Key Performance Indicators

Exhibit 7: Quarterly Financials

Particulars (Rs mn)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
P & L								
Total revenues	7,053	7,991	7,064	7,837	6,071	8,363	7,039	7,486
Material cost	3,143	3,614	3,571	3,610	2,710	3,766	2,802	3,130
Personnel cost	1,180	1,270	1,203	1,176	1,321	1,357	1,239	1,317
Other expenses	1,826	1,699	1,769	1,684	1,843	1,320	1,580	1,490
Total expenses	6,149	6,583	6,543	6,470	5,874	6,443	5,621	5,937
EBIDTA	904	1,408	521	1,367	197	1,920	1,418	1,549
Other income	240	181	148	151	137	96	120	183
PBDIT	1,144	1,589	669	1,518	334	2,016	1,538	1,732
Interest	-	-	-	2	-	-	-	2
Depreciation	54	66	66	78	75	77	134	94
Profit before tax	1,090	1,523	603	1,438	259	1,939	1,404	1,636
Tax provision	386	536	252	570	120	688	507	580
Profit after tax before EO	704	987	351	868	139	1,251	897	1,056
EO items	18	2	179	259	126	52	0	0
Profit after tax after EO	722	989	530	1,127	265	1,303	897	1,056
Growth (%)								
Revenues	8.2	11.4	(5.9)	11.0	(13.9)	4.7	(0.4)	(4.5)
EBIDTA	(18.7)	9.8	(51.8)	5.7	(78.2)	36.4	172.2	13.3
Net Profit before EO	(27.0)	(4.6)	(57.3)	(3.7)	(80.3)	26.7	155.6	21.7
Margin (%)								
EBIDTA	12.8	17.6	7.4	17.4	3.2	23.0	20.1	20.7
PBT	15.5	19.1	8.5	18.3	4.3	23.2	19.9	21.9
PAT before EO	10.0	12.4	5.0	11.1	2.3	15.0	12.7	14.1

Source: Company, Centrum Research

Exhibit 8: Key performance indicators

Key performance indicator	FY16	FY17	FY18	FY19E	FY20E
Revenue growth %	7.4	5.7	(3.5)	17.1	17.0
Material cost (%)	43.5	46.6	42.9	42.3	41.3

Source: Centrum Research Estimates

Financials -consolidated

Exhibit 9: Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenues	28,379	30,000	28,957	33,919	39,698
Material cost	12,331	13,978	12,413	14,351	16,380
% of revenues	43.5	46.6	42.9	42.3	41.3
Employee cost	4,434	4,830	5,234	6,050	6,960
% of revenues	15.6	16.1	18.1	17.8	17.5
Other Expenses	6,832	7,004	6,255	7,238	8,321
% of revenues	24.1	23.3	21.6	21.3	21.0
EBIDTA	4,782	4,188	5,055	6,280	8,037
EBIDTA margin (%)	16.8	14.0	17.5	18.5	20.2
Depreciation & Amortisation	249	264	380	480	550
EBIT	4,533	3,924	4,675	5,800	7,487
Interest Expenses	-	-	-	-	-
PBT from operations	4,533	3,924	4,675	5,800	7,487
Other income	1,228	731	547	1,118	1,321
PBT	5,761	4,655	5,222	6,918	8,808
Tax provision	2,022	1,744	1,892	2,390	2,990
Effective tax rate (%)	35.1	37.5	36.2	34.5	33.9
Net profit	3,739	2,911	3,330	4,528	5,818
EO items	23	457	178	-	-
Reported net profit	3,762	3,368	3,508	4,528	5,818
Adj. Net profit	3,739	2,911	3,330	4,528	5,818

Source: Company, Centrum Research Estimates

Exhibit 10: Key Ratios

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Growth Ratios (%)					
Revenues	7.4	5.7	(3.5)	17.1	17.0
EBIDTA	(5.6)	(12.4)	20.7	24.2	28.0
Adj. Net Profit	(11.5)	(22.1)	14.4	36.0	28.5
Margin Ratios (%)					
EBIDTA margin	16.8	14.0	17.5	18.5	20.2
PBT from operations margin	16.0	13.1	16.1	17.1	18.9
Adj. PAT margin	13.2	9.7	11.5	13.4	14.7
Return Ratios (%)					
RoCE	19.5	14.6	17.2	22.9	28.1
RoE	18.6	13.9	16.4	21.7	26.8
RoIC	111.1	28.7	35.6	44.2	43.5
Turnover ratios (days)					
Gross Block Turnover (x)	9.6	11.4	9.1	7.3	6.2
Debtors	16	21	19	25	20
Creditors	42	34	64	105	92
Inventory	68	52	63	63	63
Cash Conversion Cycle	42	39	18	(17)	(9)
Solvency Ratio					
Debt-Equity	0.0	0.0	0.0	0.0	0.0
Net Debt-Equity	(0.6)	(0.4)	(0.6)	(0.5)	(0.4)
Current Ratio	2.8	2.1	1.4	1.5	1.4
Interest Coverage Ratio	0.0	0.0	0.0	0.0	0.0
Gross Debt/EBIDTA	0.0	0.0	0.0	0.0	0.0
Per Share (Rs)					
FDEPS (adjusted)	44.1	34.4	39.3	53.5	68.7
CEPS	47.1	37.5	43.8	59.1	75.2
Book Value	257.8	236.9	242.9	248.8	263.9
Dividend	50.0	30.0	35.0	40.0	45.0
Dividend Payout (%)	135.5	89.8	100.6	89.0	78.0
Valuations (x) (Avg Mkt Cap)					
PER	75.0	88.8	62.6	44.9	35.0
P/BV	12.8	12.9	10.1	9.7	9.1
EV/EBIDTA	55.7	59.6	38.7	30.9	24.2
Dividend Yield (%)	1.8	1.2	1.7	2.0	2.2
5-yr Avg AOCF/EV yield(%)	1.7	1.8	2.9	2.9	2.9

Source: Company, Centrum Research Estimates

Exhibit 11: Balance Sheet

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Share capital	847	847	847	847	847
Reserves & surplus	20,986	19,222	19,726	20,223	21,506
Total shareholders Funds	21,833	20,069	20,573	21,070	22,353
Total Debt	16	10	6	-	-
Minority interest	-	-	-	-	-
Deferred tax Liab.	(1,012)	(916)	(1,037)	(980)	(1,050)
Total Liabilities	20,837	19,163	19,542	20,090	21,303
Gross Block	2,284	2,991	3,344	5,980	6,830
Less: Acc. Depreciation	242	463	843	1,323	1,873
Net Block	2,042	2,528	2,501	4,657	4,957
Capital WIP	2,676	5,732	9,229	8,500	9,500
Net Fixed Assets	4,718	8,260	11,730	13,157	14,457
Investments	60	54	19	21	32
Inventories	5,258	4,258	5,004	5,890	6,850
Debtors	1,266	1,708	1,470	2,300	2,200
Loans & Advances	2,620	137	150	2,604	2,960
Cash & Bank Balance	13,919	8,995	12,964	9,508	9,134
Other assets	1,681	5,711	7,103	940	1,070
Total Current Assets	24,744	20,809	26,691	21,242	22,214
Trade payable	3,277	2,789	5,059	9,750	10,060
Other current Liabilities	2,085	3,961	9,988	330	420
Provisions	3,323	3,210	3,851	4,250	4,920
Net Current Assets	16,059	10,849	7,793	6,912	6,814
Total Assets	20,837	19,163	19,542	20,090	21,303

Source: Company, Centrum Research Estimates

Exhibit 12: Cash Flow

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
CF before WC changes	2,628	3,728	3,767	5,065	6,298
Working Capital Changes	(1,236)	286	7,025	(2,575)	(276)
CF from Operations	1,392	4,014	10,792	2,490	6,022
Adj OCF (OCF-Interest)	2,599	4,745	11,339	3,608	6,022
Change in fixed assets	(2,075)	(3,806)	(3,850)	(1,907)	(1,850)
Adj. FCF (AOCF-Capex)	524	939	7,489	1,701	4,172
CF from Investing	5,009	(3,800)	(3,815)	(1,909)	(1,861)
CF from Financing	(6,383)	(3,030)	(3,532)	(4,038)	(4,536)
Net change in Cash	18	(2,816)	3,445	(3,456)	(375)

Source: Company, Centrum Research Estimates

Appendix A

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by them, Mr. Ranjit Kapadia, research analyst and and/or any of his family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by him, he has not received any compensation from the above companies in the preceding twelve months. He does not hold any shares by him or through his relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so.

Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Glaxo SmithKline price chart



Source: Bloomberg, Centrum Research

Disclosure of Interest Statement

1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3	Registration status of CBL:	Ranjit Kapadia is registered with SEBI as Research Analyst (SEBI Registration No. INH000001352)

		Glaxo SK Pharma	Abbott India	Pfizer	Sanofi India
4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No	No	No	No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No	No	No	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No	No	No	No
7	Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received	No	No	No	No
8	Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report	No	No	No	No
9	Whether Research Analysts has served as an officer, director or employee of the subject company	No	No	Yes	No
10	Whether the Research Analyst has been engaged in market making activity of the subject company.	No	No	No	No

Rating Criteria

Rating	Market cap < Rs20bn	Market cap > Rs20bn but < 100bn	Market cap > Rs100bn
Buy	Upside > 20%	Upside > 15%	Upside > 10%
Hold	Upside between -20% to +20%	Upside between -15% to +15%	Upside between -10% to +10%
Sell	Downside > 20%	Downside > 15%	Downside > 10%

Member (NSE and BSE)

Regn No.:

CAPITAL MARKET SEBI REGN. NO.: BSE: INB011454239
 CAPITAL MARKET SEBI REGN. NO.: NSE: INB231454233
 DERIVATIVES SEBI REGN. NO.: NSE: INF231454233
 (TRADING & CLEARING MEMBER)
 CURRENCY DERIVATIVES: MCX-SX INE261454230
 CURRENCY DERIVATIVES:NSE (TM & SCM) – NSE 231454233

Depository Participant (DP)

CDSL DP ID: 120 – 12200
 SEBI REGD NO.: CDSL : IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Website: www.centrum.co.in

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Kavita Ravichandran

(022) 4215 9842; Email ID: Compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)

Registered Office Address	Corporate Office & Correspondence Address
Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001	Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000