

## Benefits from Re-structuring ; maintain Sell

We maintain Sell rating on GlaxoSmithKline Pharma (GSK) and revise our TP to Rs950 (earlier Rs1,900 cum bonus) based on 24x March'20E EPS of Rs39.6. GSK's Q2FY18 results were better than our estimates. GSK's revenue declined by 2%YoY, EBITDA margin dropped 280bps to 20.2% and net profit before EO item declined by 10% YoY on a higher base in Q2FY18 after GST implementation. 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 derives ~20% revenues from the same. Key risks to our assumptions include faster-than-expected growth in the domestic market, re-structuring benefits and higher growth of its flagship brands. We recommend a switch to other pharma companies, Sanofi India or Pfizer, due to GSK's rich valuations.

- **Revenues set to grow:** GSK's revenue declined by 2%YoY to Rs8,16bn in Q2FY19. Its major brands grew by high single digit to double digit during the quarter. GSK launched Infanrix Hexa-hexavalent vaccine for children in India in Q1FY19. The lower sales growth was due to higher base in Q2FY18 due to re-stocking by trade after GST implementation. GSK's top 35 brands contributed ~77% to its revenues. Twelve of these grew faster than the market growth rate of 11.7% and are likely to drive future growth. The launch of new products and vaccines would also drive growth.
- **EBIDTA margin declined by 20bps:** GSK's EBIDTA margin in Q2FY19 declined 280bps to 20.2% from 23.0% a year ago, on a higher base in Q2FY18. The company's material cost declined by 220bps to 42.8% from 45.0% due to improved sales mix. Personnel cost grew by 90bps to 17.1% from 16.2% due to field force addition. Other expenses grew by 410bps to 19.9% from 15.8% due to re-structuring of commercial and manufacturing operations. We expect GSK's margin to improve going forward, due to price revision 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 set to improve:** GSK's net profit before EO items declined by 10% YoY to Rs1,126mn from Rs1,251mn on a higher base. Its interest income grew 52% to Rs146mn from Rs96mn. Net profit after EO items declined by 23% YoY to Rs1,008mn from Rs1,303mn. EO item of Rs118mn in Q2FY19 was from the organisation restructuring cost. 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 Rs48.
- **Recommendation and view:** GSK's performance during the quarter declined due to higher base after re-stocking by trade. We maintain our Sell rating on the scrip, with TP to Rs950 based on 24x March'20E EPS of Rs39.6, with a downside of 31.6% from the CMP due to its rich valuations. We recommend a switch to Sanofi India or Pfizer.

Y/E Mar (Rs mn)	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Q2FY19E	Var (%)
<b>Revenues</b>	<b>8,163</b>	<b>8,363</b>	<b>(2.4)</b>	<b>7,357</b>	<b>11.0</b>	<b>7,530</b>	<b>8.4</b>
Material cost	3,491	3,766	(7.3)	3,168	10.2	3,200	9.1
Employee cost	1,395	1,357	2.8	1,260	10.7	1,280	9.0
Other expenses	1,625	1,320	23.1	1,526	6.5	1,540	5.5
<b>EBIDTA</b>	<b>1,652</b>	<b>1,920</b>	<b>(14.0)</b>	<b>1,403</b>	<b>17.7</b>	<b>1,510</b>	<b>9.4</b>
<b>EBIDTA margin (%)</b>	<b>20.2</b>	<b>23.0</b>	<b>0.0</b>	<b>19.1</b>	<b>0.0</b>	<b>20.1</b>	<b>0.0</b>
Depreciation	115	77	49.4	114	0.9	120	(4.2)
Interest							
Other income	146	96	(52.1)	176	0.0	208	29.8
PBT	1,683	1,939	(13.2)	1,465	14.9	1,598	5.3
Prov. For tax	557	688	(19.0)	497	12.1	540	3.1
<b>PAT before EO items</b>	<b>1,126</b>	<b>1,251</b>	<b>(10.0)</b>	<b>968</b>	<b>16.3</b>	<b>1,058</b>	<b>6.4</b>
<b>EO items</b>	<b>118</b>	<b>52</b>	<b>0.0</b>	<b>83</b>	<b>0.0</b>	<b>0</b>	<b>NA</b>
Net profit after EO items	1,008	1,303	(22.6)	885	13.9	1,058	(4.7)

Source: Company, Centrum Research Estimates

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	DEPS Rs.
FY16	28,379	7.4	4,782	16.8	3,739	(11.5)	22.1
FY17	30,000	5.7	4,188	14.0	2,911	(22.1)	17.2
FY18	28,957	(3.5)	5,055	17.5	3,330	14.4	19.7
FY19E	33,919	17.1	7,130	21.0	5,181	55.6	30.6
FY20E	39,698	17.0	9,167	23.1	6,703	29.4	39.6

Source: Company, Centrum Research Estimates

Target Price	Rs 950	Key Data	
CMP*	Rs1,389	Bloomberg Code	GLXO IN
Downside	32%	Curr Shares O/S (mn)	169.4
Previous Target	Rs1,900	Diluted Shares O/S(mn)	169.4
Previous Rating	Sell	Mkt Cap (Rsbn/USDbn)	235.3/3.2
Price Performance (%)*		52 Wk H / L (Rs)	1812/1010
		5 Year H / L (Rs)	1936/1010
GLXO IN	(13.7)	Daily Vol. (3M NSE Avg.)	55690
Nifty	(8.1)		

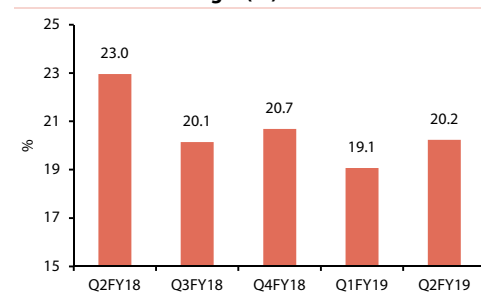
\*as on 22<sup>nd</sup> October 2018 Source: Bloomberg, Centrum Research

### Shareholding pattern (%)\*

	Sept-18	June-18	Mar-18	Dec-17
Promoter	75.0	75.0	75.0	75.0
FII's	1.5	1.6	1.6	1.7
DII's	10.9	11.0	10.8	10.7
Others	12.6	12.4	12.6	12.6

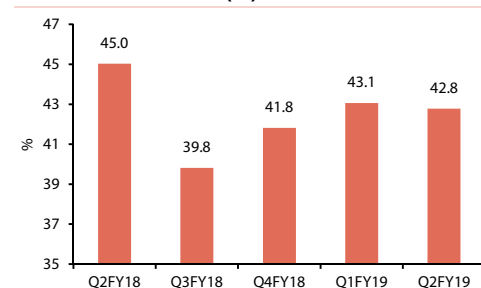
Source: BSE, \*as on 22<sup>nd</sup> October 2018

### Trend in EBIDTA margin (%)



Source: Company, Centrum Research

### Trend in material cost (%)



Source: Centrum Research Estimates

### Centrum vs. Bloomberg Consensus\*

Particulars (Rsmn)	FY19E			FY20E		
	Centrum	BBG	Var (%)	Centrum	BBG	Var (%)
Sales	33,919	33,177	2.2	39,698	37,168	6.8
EBITDA	7,130	6,732	5.9	9,167	7,919	15.8
PAT	5,181	4,615	12.3	6,703	5,366	24.9

Bloomberg Consensus*				Centrum Target Price (Rs)	Variance (%)
BUY	SELL	HOLD	Target Price (Rs)		
1	8	2	1,235	950	(23.1)

\*as on 22<sup>nd</sup> October 2018; Source: Bloomberg, Centrum Research Estimates

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

	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY16	18.6	19.5	75.0	55.7
FY17	13.9	14.6	88.8	59.6
FY18	16.4	17.2	62.6	38.7
FY19E	24.6	25.9	45.4	31.6
FY20E	30.0	31.4	35.1	24.6

In the interest of timeliness, this document is not edited

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

## Performance of major brands

As per AIOCD AWACS September'18 data, GSK's revenue grew 7.2% YoY, compared to the industry growth rate of 11.7% YoY. The company's top 35 brands contributed ~77% to its revenue and hence it is highly dependent on these brands. Twelve of GSK's major brands grew faster than the market growth rate of 11.7%. We expect these twelve 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 Boostrix.. GSK had successfully launched Infanrix Hexa, a hexavalent vaccine in Q1FY19 in the domestic market. 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 at Nashik.

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	July'18		August'18		September'18	
		Rs mn	Gr. Rate %	Rs mn	Gr. Rate %	Rs mn	Gr. Rate %
<b>Pharma industry</b>		<b>1,10,246</b>	<b>22.8</b>	<b>1,17,671</b>	<b>7.0</b>	<b>119459</b>	<b>11.7</b>
<b>Company</b>		<b>3,381</b>	<b>16.1</b>	<b>3,701</b>	<b>4.8</b>	<b>3,606</b>	<b>7.2</b>
Augmentin	Antiinfective	292	5.3	378	12.0	391	11.1
Synflorix	pneumonia vaccine	198	31.5	195	16.1	167	0.3
Calpol	Antipyretic	169	(15.6)	215	(22.7)	264	8.2
Betnovate-C	dermatological	176	38.6	178	16.3	162	13.8
Zinetac	Antiulcer	175	3.1	191	(5.8)	188	4.7
Betnovate-N	dermatological	198	65.1	179	27.3	170	13.8
Eltroxin	Thyroid Hormone	155	10.4	156	1.9	155	11.6
Ceftum	Antiinfective	150	12.5	215	38.9	176	(3.3)
Betnesol	Antiinflammatory	92	(4.5)	102	(21.2)	128	5.2
Rotarix	rotavirus vaccine	56	13.6	51	(12.8)	42	(20.3)
Havrix	Hepatitis A vaccine	31	(52.4)	52	(29.5)	35	(50.6)
Phexin	Antiinfective	95	(3.3)	100	(9.7)	113	7.7
T-bact	Antiinfective	136	46.3	145	46.2	138	37.1
CCM	calcium, vitamins	58	(4.2)	61	(8.3)	56	3.4
Betnovate-GM	dermatological	29	(30.8)	22	(60.5)	23	(53.1)
Cobadex-CZS	vitamins, minerals	48	2.8	49	(5.3)	42	19.0
Varilrix	chickenpox vaccine	47	38.6	44	4.4	35	(18.3)
Neosporin Skin	anti infective	52	94.0	61	79.4	63	94.6
Boostrix	vaccine	39	77.0	38	256.7	28	(28.3)
Cobadex	vitamins	19	(43.1)	14	(69.8)	11	(72.2)
Ostocalcium B12	Calcium & Vitamin D	30	40.9	26	(12.2)	11	(10.3)
Seretide	antiasthmatic	29	(8.4)	33	(18.4)	36	(0.8)
Cetzine	anti allergic	41	32.0	40	(1.4)	40	32.3
Supacef	anti infective	37	64.9	39	28.2	42	47.7
Septran	anti infecive	13	(58.7)	15	(66.6)	20	(35.5)
Rabipur	rabies vaccine	53	128.6	68	220.9	43	150.3
Tenovate	anti allergic	29	13.7	32	16.7	30	21.1
Priton CS	cough syrup	17	(9.6)	21	(29.3)	NA	NA
Zentel	antihelmentic	30	32.2	33	1.1	32	56.7
Grisovin- FP	antifungal	25	(10.9)	28	(25.5)	23	(28.3)
Zyloric	anti gout	29	11.3	36	17.3	32	12.4
Banocide	anti helmintic	20	3.3	21	(26.3)	25	(1.6)
Priorix Tetra	vaccine	33	15.7	38	73.4	24	(5.6)
Priton Expectorant	cough syrup	17	6.9	23	(13.4)	NA	NA
Iodex	analgesic	35	157.6	34	88.1	29	36.1
<b>Total</b>		<b>2,653</b>	<b>NA</b>	<b>2,933</b>	<b>NA</b>	<b>2,774</b>	<b>NA</b>

Source: AIOCD AWACS monthly data-July-September'18

## Valuation and recommendation

At the CMP of Rs1,389, GSK trades at 45.4x FY19E EPS of Rs30.6 and 35.1x FY20E EPS of Rs39.6. 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. The company is re-structuring its commercial and manufacturing operations. The impact of the same would be visible over the next quarters. We maintain Sell rating on the scrip, with a TP of Rs950 based on 24x March'20E EPS of Rs39.6, and with a downside of 31.6% from the CMP due to its rich valuations. We recommend a switch to other pharma companies, Sanofi India or Pfizer.

### Justification of valuation and rating

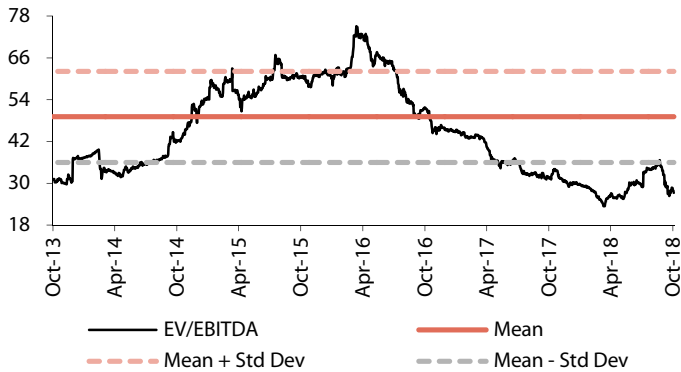
- Our valuation is based on P/E multiples of peer MNC pharma companies and other large-cap companies. MNC pharma companies include Abbott India (24x), GSK (24x), Pfizer (23x) and Sanofi India (25x). Large-cap pharma companies are: Biocon (20x), Cipla (24x), Dr. Reddy's Labs (21x), FDC (17x), Lupin (23x), Aurobindo (18x) and Sun Pharma (26x).
- Top 35 products contributed ~77% 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 11.1% in September'18.
- GSK is currently manufacturing over 70 brands and focuses on 20 key brands to drive the growth. The company has increase the field force by ~30% in the targeted segments.
- GSK has a strong portfolio of vaccines and is a leading player in vaccines with its flagship brand Synflorix. The vaccine business contributes ~20% of its revenues.
- GSK has posted double-digit sales growth in two out of the last eight quarters and reported 2%YoY decline in Q2FY19.
- GSK's EBIDTA margin declined by 280bps YoY to 20.2% from 23.0% indicating that GSK margins are under pressure due to rise in personnel cost and other expenses.
- The parent company has increased its stake to 75% from 51%, the maximum allowed under FDI.
- 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 improved sentiment after the declaration of 1:1 bonus in the AGM. The stock touched 52-week high of Rs3,249 on 24<sup>th</sup> July '18.
- 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 GSK'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. GSK trades at 45.4x FY19E EPS of Rs30.6 and 35.1x FY20E EPS of Rs39.6. We expect GSK to strengthen its vaccine portfolio with the recent introduction of Infanrix Hexa-hexavalent vaccine.
- GSK's revenue growth for FY18 was adversely impacted due to a series of price controls and uncertainties of GST launch. We expect the price control impact to minimise due to strong volume growth for its major brands.
- GSK has undertaken a re-structuring program involving commercial and manufacturing operations. The company has decided to divest tail-end brands. This is likely to improve the margins.

### Exhibit 2: Sensitivity Analysis

Sensitivity to key variables – FY19E	% change	% impact on EBITDA	% impact on EPS
Sales	1	4.8	6.5
Material cost	1	(2.0)	(2.7)

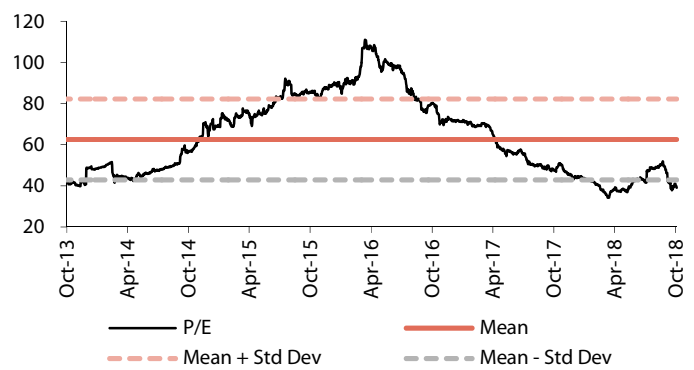
Source: Company, Centrum Research Estimates

### Exhibit 3: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

### Exhibit 4: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

### Exhibit 5: Comparative Valuations

Company	Mkt Cap (Rs mn)	CAGR FY18-FY20E%			EBIDTA margin (%)			P/E(x)			EV/EBIDTA(x)			RoE(%)			Div. Yield(%)		
		Revenue	EBIDTA	PAT	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Glaxo SK Pharma	2,35,297	17.1	34.7	41.9	17.5	21.0	23.1	62.6	45.4	35.1	38.7	31.6	24.6	16.4	24.6	30.0	1.7	1.7	2.1
Abbott India	1,52,681	17.2	27.9	26.5	15.9	17.5	18.9	38.1	30.5	23.8	16.4	20.1	15.9	26.1	26.8	28.3	1.5	1.0	1.2
Pfizer	1,25,996	20.6	25.9	26.6	25.3	27.1	28.1	24.1	24.6	20.5	17.4	18.4	15.3	14.1	17.8	18.7	0.7	0.9	1.1
Sanofi India*	1,34,265	14.1	19.3	24.8	21.6	24.3	25.8	30.1	28.3	22.8	16.9	18.0	14.3	16.7	22.0	24.1	2.0	1.6	1.9

Source: Company, Centrum Research Estimates, \* December ending Prices as on 22<sup>nd</sup> October 2018

## Quarterly financials, Operating Metrics and Key Performance Indicators

### Exhibit 6: Quarterly Financials

Particulars (Rs mn)	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
<b>P &amp; L</b>								
Total revenues	7,064	7,837	6,071	8,363	7,039	7,486	7,357	8,163
Material cost	3,571	3,610	2,710	3,766	2,802	3,130	3,168	3,491
Personnel cost	1,203	1,176	1,321	1,357	1,239	1,317	1,260	1,395
Other expenses	1,769	1,684	1,843	1,320	1,580	1,490	1,526	1,625
Total expenses	6,543	6,470	5,874	6,443	5,621	5,937	5,954	6,511
EBIDTA	521	1,367	197	1,920	1,418	1,549	1,403	1,652
Other income	148	151	137	96	120	183	178	148
PBDIT	669	1,518	334	2,016	1,538	1,732	1,581	1,800
Interest	-	2	-	-	-	2	2	2
Depreciation	66	78	75	77	134	94	114	115
Profit before tax	603	1,438	259	1,939	1,404	1,636	1,465	1,683
Tax provision	252	570	120	688	507	580	497	557
Profit after tax before EO	351	868	139	1,251	897	1,056	968	1,126
EO items	179	259	126	52	0	0	83	118
Profit after tax after EO	530	1,127	265	1,303	897	1,056	885	1,008
<b>Growth (%)</b>								
Revenues	(5.9)	11.0	(13.9)	4.7	(0.4)	(4.5)	21.2	(2.4)
EBIDTA	(51.8)	5.7	(78.2)	36.4	172.2	13.3	612.2	(14.0)
Net Profit before EO	(57.3)	(3.7)	(80.3)	26.7	155.6	21.7	596.4	(10.0)
<b>Margin (%)</b>								
EBIDTA	7.4	17.4	3.2	23.0	20.1	20.7	19.1	20.2
PBT	8.5	18.3	4.3	23.2	19.9	21.9	19.9	20.6
PAT before EO	5.0	11.1	2.3	15.0	12.7	14.1	13.2	13.8

Source: Company, Centrum Research

### Exhibit 7: 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	41.4	40.5

Source: Centrum Research Estimates

## Financials -consolidated

### Exhibit 8: Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
<b>Revenues</b>	<b>28,379</b>	<b>30,000</b>	<b>28,957</b>	<b>33,919</b>	<b>39,698</b>
Material cost	12,331	13,978	12,413	14,051	16,080
% of revenues	43.5	46.6	42.9	41.4	40.5
Employee cost	4,434	4,830	5,234	5,650	6,560
% of revenues	15.6	16.1	18.1	16.7	16.5
Other Expenses	6,832	7,004	6,255	7,088	7,891
% of revenues	24.1	23.3	21.6	20.9	19.9
<b>EBIDTA</b>	<b>4,782</b>	<b>4,188</b>	<b>5,055</b>	<b>7,130</b>	<b>9,167</b>
EBIDTA margin (%)	16.8	14.0	17.5	21.0	23.1
Depreciation & Amortisation	249	264	380	480	550
EBIT	4,533	3,924	4,675	6,650	8,617
Interest Expenses	-	-	-	-	-
PBT from operations	4,533	3,924	4,675	6,650	8,617
Other income	1,228	731	547	1,121	1,376
PBT	5,761	4,655	5,222	7,771	9,993
Tax provision	2,022	1,744	1,892	2,590	3,290
Effective tax rate (%)	35.1	37.5	36.2	33.3	32.9
Net profit	3,739	2,911	3,330	5,181	6,703
EO items	23	457	178	201	-
<b>Reported net profit</b>	<b>3,762</b>	<b>3,368</b>	<b>3,508</b>	<b>5,382</b>	<b>6,703</b>
<b>Adj. Net profit</b>	<b>3,739</b>	<b>2,911</b>	<b>3,330</b>	<b>5,181</b>	<b>6,703</b>

Source: Company, Centrum Research Estimates

### Exhibit 9: Key Ratios

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
<b>Growth Ratios (%)</b>					
Revenues	7.4	5.7	(3.5)	17.1	17.0
EBIDTA	(5.6)	(12.4)	20.7	41.1	28.6
Adj. Net Profit	(11.5)	(22.1)	14.4	55.6	29.4
<b>Margin Ratios (%)</b>					
EBIDTA margin	16.8	14.0	17.5	21.0	23.1
PBT from operations margin	16.0	13.1	16.1	19.6	21.7
Adj. PAT margin	13.2	9.7	11.5	15.3	16.9
<b>Return Ratios (%)</b>					
RoCE	19.5	14.6	17.2	25.9	31.4
RoE	18.6	13.9	16.4	24.6	30.0
RoIC	111.1	28.7	35.6	51.7	50.8
<b>Turnover ratios (days)</b>					
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)
<b>Solvency Ratio</b>					
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	1.5
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
<b>Per Share (Rs)</b>					
FDEPS (adjusted)	22.1	17.2	19.7	30.6	39.6
CEPS	47.1	37.5	43.8	66.8	85.6
Book Value	257.8	236.9	242.9	127.0	136.9
Dividend	50.0	30.0	35.0	20.0	25.0
Dividend Payout (%)	135.5	89.8	100.6	74.9	75.2
<b>Valuations (x) (Avg Mkt Cap)</b>					
PER	75.0	88.8	62.6	45.4	35.1
P/BV	12.8	12.9	10.1	10.9	10.1
EV/EBIDTA	55.7	59.6	38.7	31.6	24.6
Dividend Yield (%)	1.8	1.2	1.7	1.7	2.1
5-yr Avg AOCF/EV yield(%)	1.7	1.8	2.9	2.5	2.6

Source: Company, Centrum Research Estimates

### Exhibit 10: Balance Sheet

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Share capital	847	847	847	1,694	1,694
Reserves & surplus	20,986	19,222	19,726	19,828	21,492
Total shareholders Funds	21,833	20,069	20,573	21,522	23,186
Total Debt	16	10	6	-	-
Minority interest	-	-	-	-	-
Deferred tax Liab.	(1,012)	(916)	(1,037)	(980)	(1,050)
<b>Total Liabilities</b>	<b>20,837</b>	<b>19,163</b>	<b>19,542</b>	<b>20,542</b>	<b>22,136</b>
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
<b>Net Fixed Assets</b>	<b>4,718</b>	<b>8,260</b>	<b>11,730</b>	<b>13,157</b>	<b>14,457</b>
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	9,960	9,967
Other assets	1,681	5,711	7,103	940	1,070
<b>Total Current Assets</b>	<b>24,744</b>	<b>20,809</b>	<b>26,691</b>	<b>21,694</b>	<b>23,047</b>
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
<b>Net Current Assets</b>	<b>16,059</b>	<b>10,849</b>	<b>7,793</b>	<b>7,364</b>	<b>7,647</b>
<b>Total Assets</b>	<b>20,837</b>	<b>19,163</b>	<b>19,542</b>	<b>20,542</b>	<b>22,136</b>

Source: Company, Centrum Research Estimates

### Exhibit 11: Cash Flow

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
CF before WC changes	2,628	3,728	3,767	5,517	7,183
Working Capital Changes	(1,236)	286	7,025	(2,575)	(276)
<b>CF from Operations</b>	<b>1,392</b>	<b>4,014</b>	<b>10,792</b>	<b>2,942</b>	<b>6,907</b>
Adj OCF (OCF-Interest)	2,599	4,745	11,339	4,063	6,907
Change in fixed assets	(2,075)	(3,806)	(3,850)	(1,907)	(1,850)
Adj. FCF (AOCF-Capex)	524	939	7,489	2,156	5,057
<b>CF from Investing</b>	<b>5,009</b>	<b>(3,800)</b>	<b>(3,815)</b>	<b>(1,909)</b>	<b>(1,861)</b>
<b>CF from Financing</b>	<b>(6,383)</b>	<b>(3,030)</b>	<b>(3,532)</b>	<b>(3,191)</b>	<b>(5,040)</b>
<b>Net change in Cash</b>	<b>18</b>	<b>(2,816)</b>	<b>3,445</b>	<b>(2,157)</b>	<b>6</b>

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



### 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, SEBI registered Portfolio Manager and an AMFI registered Mutual Fund Distributor.
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:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001352)

		Glaxo SK	Abbott India	Sanofi India	Pfizer
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	No	Yes
10	Whether the Research Analyst has been engaged in market making activity of the subject company.	No	No	No	No
11	Whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;	No	No	No	No
12	Whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No	No	No	No
13	Whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	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

#### Research Analyst

SEBI Registration No. INH000001352

#### Mutual Fund Distributor

AMFI REGN No. ARN- 147569

#### Website: www.centrum.co.in

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

#### Compliance Officer Details:

Ashok D Kadambi  
(022) 4215 9937; 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 Fax: +91 22 4215 9344