



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## AGM Key Takeaways@ Dalal & Broacha

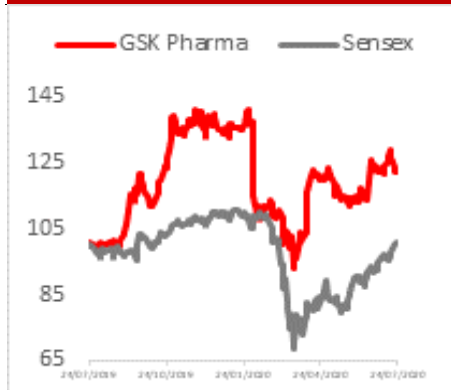
### HOLD

Current Price	1456
<b>Target Price</b>	<b>Under Review</b>
Upside/Downside	
52 Week Range	1745/1046

### Key Share Data

Market Cap (Rs.bn)	245.83
Market Cap (US\$ mn)	3288.26
No of o/s shares (mn)	169.41
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	34.36
BSE Code	500660
NSE Code	GLAXO
Bloomberg	GLXO:IN

### Price performance



### KEY TAKEAWAYS FROM GLAXO AGM

- In FY20, Revenue from operations of INR 3225 crores increased by 3% yoy. Despite the headwinds caused by Covid-19 towards the year end and the voluntary global recall of ranitidine products including Zinetac in India, GLAXO benefitted from its strategy of focusing its efforts towards key brands and divestment and discontinuation of its tail-end portfolio. **The underlying sales growth, adjusting for tail-end brand rationalisation and divestments, is a healthy 13% driven by key brands that grew by over 20%.**
- 77% of FY20 sales came from pharmaceuticals whereas 23% came from vaccines. GLAXO is the largest player in the self pay vaccines market, valued at Rs 2500 crs growing at 10% annually. Glaxo has a 40% market share in the self pay vaccines market.
- New products comprised 5% of revenues.
- 37% of GLAXO's FY20 revenues are under NLEM.
- 5 GSK brands in Top 50 brands in the Indian Pharmaceuticals market namely, Augmentin, Calpol, Synflorix, Zinnat and Betnovate.
- Operating at 100% capacity at Nashik, with 60% of the workforce.
- GLAXO has 4364 employees, down due to the Vemgal closure.
- FY20 results were impacted due to the **voluntary global recall of ranitidine products including Zinetac in India**. Zinetac comprised 5% of revenues (Rs 150-200 crs). The Vemgal facility was partially (50% - 8 bn tablets) built for Zinetac, which received approval for ZINETAC 150 mg and 300 mg tablets in August' 2019. **Following the global recall in Ranitidine in September'19, the company decided towards impairment of the plant at Rs 640 crs.** The company with GSK Global is exploring future options for the Vemgal facility including a potential sale of the site, which may take 2-3 years.
- The company has recommended a Dividend of Rs 40 per Equity share for the year (including special dividend of Rs 20 per equity share) in view of the profit on sale of land at Thane. The Dividend will absorb `678 crores, cash after dividend at Rs 404.2 crs.
- The company has had a steady cash flow during the lockdown period.
- Funds from sale of Thane land have been invested in Fixed Deposits.

### Comments from Mr. Sridhar Venkatesh, the new Managing Director

- The company will continue to focus on key brands for future growth.
- GLAXO's focus in India will be on Dermatology, vaccines, respiratory and anti infectives.
- The company plans to launch patented products from its parent, in the Indian market. Will update once the products receive approvals.

**WE MAINTAIN HOLD ON THE STOCK.**

### % Shareholding

	Jun-20	Mar-20
Promoters	75.00	75.00
FII	0.23	0.30
DII	12.12	11.37
Others	12.66	13.33
<b>Total</b>	<b>100</b>	<b>100</b>

### Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT excl EI	% Growth	Adj. PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY18	28,956	(3.5)	5,058	17.5	3,331	4.2	3,509.1	4.2	39.3	37.0	17.1	22.7
FY19	31,281	8.0	6,008	19.2	4,167	25.1	4,215.9	20.1	24.6	59.2	19.7	25.8
FY20	32,244	3.1	6,561	20.3	4,336	4.1	920.9	(78.2)	25.6	56.9	5.1	31.5
FY21E	35,468	10.0	7,349	20.7	5,194	19.8	5,193.6	464.0	30.7	47.5	27.1	32.6
FY22E	39,015	10.0	8,547	21.9	6,059	16.7	6,058.8	16.7	35.8	40.7	28.9	35.2



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GLAXOSMITHKLINE PHARMACEUTICALS FINANCIALS											
P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Income from Operations	28,956	31,281	32,244	35,468	39,015	Net Profit	3,509	4,216	921	5,194	6,059
						Add: Dep. & Amort.	380	486	827	1,094	1,161
Raw materials	(12,413)	(13,580)	(13,090)	(14,897)	(16,386)	<b>Cash profits</b>	<b>3,889</b>	<b>4,702</b>	<b>1,748</b>	<b>6,288</b>	<b>7,220</b>
Employee costs	(5,234)	(5,372)	(6,286)	(6,600)	(7,128)	(Inc)/Dec in					
Other Expenses	(6,251)	(6,321)	(6,307)	(6,622)	(6,954)	-Sundry debtors	238	265	207	(214)	(121)
<b>Cost of sales</b>	<b>(23,898)</b>	<b>(25,273)</b>	<b>(25,682)</b>	<b>(28,119)</b>	<b>(30,468)</b>	-Inventories	(744)	137	35	(502)	(533)
<b>Operating Profit</b>	<b>5,058</b>	<b>6,008</b>	<b>6,561</b>	<b>7,349</b>	<b>8,547</b>	-Loans/advances	418	(287)	603	(42)	(46)
Depreciation	(380)	(486)	(827)	(1,094)	(1,161)	-Sundry creditors	2,269	(1,000)	(482)	1,118	469
PBIT	4,678	5,522	5,735	6,255	7,386	-Others	5,632	238	(3,896)	1,062	1,199
Other income	545	1,023	790	830	871	Change in working capital	7,815	(648)	(3,534)	1,423	968
Interest Income	-	(6)	(63)	(67)	(70)	<b>CF from Oper. activities</b>	<b>11,704</b>	<b>4,054</b>	<b>(1,786)</b>	<b>7,710</b>	<b>8,188</b>
Profit before tax	5,224	6,540	6,461	7,018	8,188	<b>CF from Inv. activities</b>	<b>(2,371)</b>	<b>(2,286)</b>	<b>350</b>	<b>(2,026)</b>	<b>(826)</b>
Provision for tax	(1,893)	(2,373)	(2,126)	(1,825)	(2,129)	<b>CF from Fin. activities</b>	<b>(4,638)</b>	<b>(3,089)</b>	<b>(4,567)</b>	<b>(4,508)</b>	<b>(4,526)</b>
<b>Reported PAT</b>	<b>3,331</b>	<b>4,167</b>	<b>4,336</b>	<b>5,194</b>	<b>6,059</b>	<b>Cash generated/(utilised)</b>	<b>4,695</b>	<b>(1,321)</b>	<b>(6,003)</b>	<b>1,176</b>	<b>2,835</b>
Extraordinary Items	178	49	(3,415)	-	-	Cash at start of the year	8,996	12,964	11,714	5,871	7,047
<b>Adjusted PAT</b>	<b>3,509</b>	<b>4,216</b>	<b>921</b>	<b>5,194</b>	<b>6,059</b>	Cash at end of the year	12,964	11,714	5,871	7,047	9,882
<b>Balance Sheet</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>Ratios</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Equity capital	847	1,694	1,694	1,694	1,694	OPM	17.5	19.2	20.3	20.7	21.9
Reserves	19,726	19,704	16,512	17,470	19,294	NPM	11.9	13.1	2.8	14.3	15.2
<b>Net worth</b>	<b>20,573</b>	<b>21,398</b>	<b>18,206</b>	<b>19,164</b>	<b>20,988</b>	Tax rate	(36.2)	(36.3)	(32.9)	(26.0)	(26.0)
Secured loans	-	-	-	-	-	<b>Growth Ratios (%)</b>					
Unsecured loans	6	2	0	0	0	Net Sales	(3.5)	8.0	3.1	10.0	10.0
Total debt	6	2	0	0	0	Operating Profit	20.7	18.8	9.2	12.0	16.3
Other non curr liab	23	22	21	21	21	PAT	4.2	20.1	(78.2)	464.0	16.7
<b>CAPITAL EMPLOYED</b>	<b>20,602</b>	<b>21,422</b>	<b>18,227</b>	<b>19,185</b>	<b>21,009</b>	<b>Per Share (Rs.)</b>					
Gross block	3,293	4,799	13,586	15,586	17,586	Net Earnings (EPS)	39.33	24.60	25.59	30.7	35.8
Accumulated depreciatio	(792)	(1,154)	(1,981)	(3,075)	(4,236)	Cash Earnings (CPS)	45.9	27.8	10.3	37.1	42.6
Net block	2,501	3,645	11,605	12,511	13,350	Dividend	50.0	50.0	50.0	50.0	50.0
Capital WIP	9,229	10,026	1,201	1,201	-	Book Value	242.9	126.3	107.5	113.1	123.9
<b>Total fixed assets</b>	<b>11,730</b>	<b>13,671</b>	<b>12,806</b>	<b>13,712</b>	<b>13,350</b>	Free Cash Flow	110.2	10.4	(8.5)	33.6	43.5
Intangible assets	727	655	496	496	496	<b>Valuation Ratios</b>					
Investments	18	16	15	15	15	<b>P/E(x)</b>	<b>37.0</b>	<b>59.2</b>	<b>56.9</b>	<b>47.5</b>	<b>40.7</b>
Inventories	5,002	4,865	4,830	5,332	5,866	P/B(x)	6.0	11.5	13.5	12.9	11.8
Sundry debtors	1,470	1,205	998	1,212	1,333	EV/EBIDTA(x)	21.8	39.1	36.7	32.6	27.7
Cash & bank	12,964	11,714	5,871	7,047	9,882	EV/SALES(x)	3.8	7.5	7.5	6.8	6.1
Loans & advances	731	1,018	415	457	502	Div. Yield(%)	3.4	3.4	3.4	3.4	3.4
Other current assets	1,798	1,378	778	816	857	<b>FCF Yield(%)</b>	<b>7.6</b>	<b>0.7</b>	<b>(0.6)</b>	<b>2.3</b>	<b>3.0</b>
Sundry creditors	(5,059)	(4,058)	(3,576)	(4,693)	(5,163)	<b>Return Ratios (%)</b>					
Acceptances	(9,964)	(9,561)	(3,750)	(4,313)	(4,960)	ROE	17.1	19.7	5.1	27.1	28.9
Provisions	(3,850)	(4,071)	(5,386)	(5,924)	(6,517)	ROCE	22.7	25.8	31.5	32.6	35.2
<b>Working capital</b>	<b>3,091</b>	<b>2,489</b>	<b>180</b>	<b>(67)</b>	<b>1,801</b>						
Deferred Tax Assets	4,058	3,752	4,203	4,476	4,767						
Other non current assets	977	838	528	553	580						
<b>CAPITAL DEPLOYED</b>	<b>20,602</b>	<b>21,422</b>	<b>18,227</b>	<b>19,185</b>	<b>21,009</b>						



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