



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Charulata Gaidhani (022) 67141446

Q2FY21 Result Update@ Dalal & Broacha

ACCUMULATE

Current Price	1500
Target Price	1747
Upside/Downside	13%
52 Week Range	1046/1805

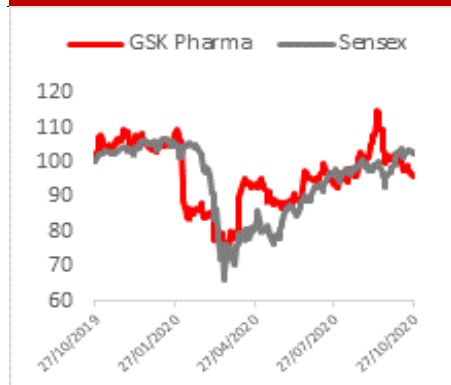
GlaxoSmithKline Pharmaceuticals (GLAXO) Q2FY21 results were better than estimates in terms of both revenues and profitability. EBITDA margins of 23.3% due to lower other expenses were the highest in 8 years. The company has decided to sell its Vemgal plant.

Key Share Data

Market Cap (Rs.bn)	254
Market Cap (US\$ mn)	3431
No of o/s shares (mn)	169
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	103
BSE Code	500660
NSE Code	GLAXO
Bloomberg	GLXO:IN

- Sales -0.3% yoy/ +36% qoq to Rs 8793 mn. Underlying sales growth excluding tail brands rationalization in FY20 is at 3%.
- EBITDA +6% yoy/+79% qoq to Rs 1538 mn.
- EBITDA margins 23.3%, (+130 bps yoy/+570 bps qoq), highest in last 8 years due to lower (-10%) other expenses.
- Other Income -42% yoy to Rs 90 mn, due to lower cash equivalents in view of dividend outflow of Rs 6776 mn.
- PBT +3% yoy/+28% qoq to Rs 1910 mn.
- PAT +27% yoy at Rs 1406 mn.
- Exceptional expenses of Rs 641.3 mn on account of decision of sale of Vemgal plant. The expenses include realizable value of assets, the associated costs and impact of reversal of provision of Zinetac recall.

Price performance



Key Developments

1. GLAXO launched **FLUARIX TETRA**, the influenza vaccine for adults and children during the quarter. The vaccine is in demand in the Covid19 environment.
2. Most of the key brands have gained market share.

Outlook & Valuation

At Rs 1500, Glaxo trades at 38x FY22E EPS of Rs 38.8. Due to the lockdown, there is an impact on acute business (largely anti infectives 20% of sales). GLAXO is the largest player in derma (25%) and vaccines (17% of sales). Near term triggers for the stock would be recovery of the acute portfolio, new patented product launches and sale of the Vemgal plant.

We maintain ACCUMALATE with a target price of Rs 1747.

% Shareholding

	Sep-20	Jun-20
Promoters	75.00	75.00
FII	0.98	0.23
DII	11.26	12.12
Others	12.76	12.66
Total	100	100

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	32,566	1.0	7,768	23.9	5,976	37.8	5,975.6	548.9	35.3	41.3	30.0	34.6
FY22E	34,846	7.0	8,637	24.8	6,573	10.0	6,572.8	10.0	38.8	37.5	29.5	34.4



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Particulars	Q2FY21	Q1FY21	Q2FY20	% YOY	% QOQ	H1FY21	H1FY20	% change
Net Sales	8793.2	6486.0	8821.0	0%	36%	15279.2	16701.2	-9%
Total income	8793.2	6486.0	8821.0	0%	36%	15279.2	16701.2	-9%
Raw Material Consumed	(3675)	(2573)	(3699)			-6248.0	(7007)	
Employee Expenses	(1540)	(1519)	(1475)			-3059.3	(2957)	
Other Expenses	(1530)	(1251)	(1705)			-2780.3	(3195)	
Total Exp	(6745)	(5343)	(6879)	-2%	26%	(12088)	(13158)	-8%
PBDIT	2048.6	1143.0	1942.4	5%	79%	3191.6	3543.2	-10%
OPM (%)	23.3%	17.6%	22.0%			20.9%	21.2%	
Other Income	90.4	577.9	156.1			668.3	462	
Interest	(8.8)	(10.8)	(9.2)			-19.6	(19)	
Depreciation	(219.6)	(217.7)	(227.0)			-437.3	(418)	
Profit before tax	1919.4	1503.2	1862.3	3%	28%	3403.0	3568.6	19%
Tax - normal	(504.6)	(383.3)	(845.8)			338.8	(1472)	
Adjusted PAT	2088.8	1672.6	2031.7	3%	25%	3572.4	3738.0	19%
Exceptional Items*	(641.7)	0.0	4011.4			-641.7	4011	
Tax on exceptional	0.0	0.0	(389.9)			0.0	(390)	
PAT incl. exceptional	1447.1	1672.6	5653.2	-74%	-13%	2930.7	7359.5	-50%
NPM (%)	23.8%	25.8%	23.0%			23.4%	22.4%	
Number of shares	169.41	169.41	169.41			169.41	169.41	
EPS (Rs)	8.54	9.87	33.37			17.30	43.44	
Adj EPS (Rs)	12.33	9.87	11.99			21.09	22.06	



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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	32,566	34,846	Net Profit	3,509	4,216	921	5,976	6,573
						Add: Dep. & Amort.	380	486	827	851	971
Raw materials	(12,413)	(13,580)	(13,090)	(13,026)	(13,590)	Cash profits	3,889	4,702	1,748	6,827	7,544
Employee costs	(5,234)	(5,372)	(6,286)	(6,600)	(6,930)	(Inc)/Dec in					
Other Expenses	(6,251)	(6,321)	(6,307)	(5,172)	(5,689)	-Sundry debtors	238	265	207	(114)	(78)
Cost of sales	(23,898)	(25,273)	(25,682)	(24,798)	(26,209)	-Inventories	(744)	137	35	(66)	(343)
Operating Profit	5,058	6,008	6,561	7,768	8,637	-Loans/advances	418	(287)	603	(42)	(46)
Depreciation	(380)	(486)	(827)	(851)	(971)	-Sundry creditors	2,269	(1,000)	(482)	172	162
PBIT	4,678	5,522	5,735	6,917	7,666	-Others	5,632	238	(3,896)	1,062	1,199
Other income	545	1,023	790	1,225	1,286	Change in working capital	7,815	(648)	(3,534)	1,012	894
Interest Income	-	(6)	(63)	(67)	(70)	CF from Oper. activities	11,704	4,054	(1,786)	7,839	8,438
Profit before tax	5,224	6,540	6,461	8,075	8,882	CF from Inv. activities	(2,371)	(2,286)	751	(2,026)	(826)
Provision for tax	(1,893)	(2,373)	(2,126)	(2,100)	(2,309)	CF from Fin. activities	(4,638)	(3,089)	(4,567)	(4,508)	(4,526)
Reported PAT	3,331	4,167	4,336	5,976	6,573	Cash generated/(utilised)	4,695	(1,321)	(5,602)	1,304	3,086
Extraordinary Items	178	49	(3,415)	-	-	Cash at start of the year	8,996	12,964	11,714	6,271	7,576
Adjusted PAT	3,509	4,216	921	5,976	6,573	Cash at end of the year	12,964	11,714	6,271	7,576	10,662
Balance Sheet	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity capital	847	1,694	1,694	1,694	1,694	OPM	17.5	19.2	20.3	23.9	24.8
Reserves	19,726	19,704	16,512	18,252	20,590	NPM	11.9	13.1	2.8	17.7	18.2
Net worth	20,573	21,398	18,206	19,946	22,284	Tax rate	(36.2)	(36.3)	(32.9)	(26.0)	(26.0)
Secured loans	-	-	-	-	-	Growth Ratios (%)					
Unsecured loans	6	2	0	0	0	Net Sales	(3.5)	8.0	3.1	1.0	7.0
Total debt	6	2	0	0	0	Operating Profit	20.7	18.8	9.2	18.4	11.2
Other non curr liab	23	22	21	21	21	PAT	4.2	20.1	(78.2)	548.9	10.0
CAPITAL EMPLOYED	20,602	21,422	18,227	19,967	22,305	Per Share (Rs.)					
Gross block	3,293	4,799	13,185	15,185	17,185	Net Earnings (EPS)	39.33	24.60	25.59	35.3	38.8
Accumulated depreciatio	(792)	(1,154)	(1,981)	(2,832)	(3,803)	Cash Earnings (CPS)	45.9	27.8	10.3	40.3	44.5
Net block	2,501	3,645	11,204	12,353	13,382	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	117.7	131.5
Total fixed assets	11,730	13,671	12,405	13,554	13,382	Free Cash Flow	110.2	10.4	(6.1)	34.3	44.9
Intangible assets	727	655	496	496	496	Valuation Ratios					
Investments	18	16	15	15	15	P/E(x)	37.0	59.2	56.9	41.3	37.5
Inventories	5,002	4,865	4,830	4,896	5,239	P/B(x)	6.0	11.5	13.5	12.4	11.1
Sundry debtors	1,470	1,205	998	1,112	1,190	EV/EBIDTA(x)	21.8	39.1	36.6	30.8	27.3
Cash & bank	12,964	11,714	6,271	7,576	10,662	EV/SALES(x)	3.8	7.5	7.5	7.3	6.8
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	FCF Yield(%)	7.6	0.7	(0.4)	2.4	3.1
Sundry creditors	(5,059)	(4,058)	(3,576)	(3,747)	(3,909)	Return Ratios (%)					
Acceptances	(9,964)	(9,561)	(3,750)	(4,313)	(4,960)	ROE	17.1	19.7	5.1	30.0	29.5
Provisions	(3,850)	(4,071)	(5,386)	(5,924)	(6,517)	ROCE	22.7	25.8	31.5	34.6	34.4
Working capital	3,091	2,489	580	873	3,064						
Deferred Tax Assets	4,058	3,752	4,203	4,476	4,767						
Other non current assets	977	838	528	553	580						
CAPITAL DEPLOYED	20,602	21,422	18,227	19,967	22,305						



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Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Mrs.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	mayank.babladalal-broacha.com	022 67141412	I.T/Telecom/Media
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021 Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22- 2287 0092 E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com