



22nd January 2009

**GlaxoSmithKline Pharmaceuticals Ltd**

**CMP Rs. 1175.0 | Accumulate**

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## GlaxoSmithKline Pharmaceuticals Ltd

CMP Rs. 1175.0

Initiating Coverage

**ACCUMULATE**

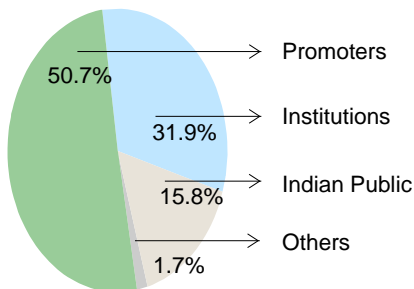
### Stock Data

Bloomberg	: GLXO.IN
Reuters	: GLAX.BO
BSE Code	: 500660
NSE Code	: GLAXO
BSE Group	: A

### Stock Codes

Benchmark	: BSEHC
52 Week H/L	: 1212.0/800.0
Float	: 41.76 Mn
Mkt Cap	: Rs. 98,225Mn
Face Value	: Rs. 10.0

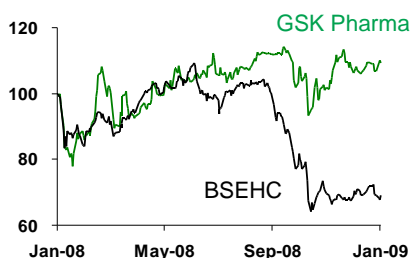
### Shareholding Pattern (as on Dec '08)



### Stock Returns

	1 Mth	3 Mths	6 Mths
Glaxo	1.09	1.28	3.31
BSEHC	2.47	-15.44	-29.44

### Price Comparison



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### The Patent Story...

MNC Pharma companies like GlaxoSmithKline Pharmaceuticals Ltd. are reaping the benefits accruing from the shift to Product Patent regime from Process Patent regime in the Indian domestic market. It is a good long term, safe & defensive bet in these difficult times.

GSK's strong marketing field force coupled with patented product launches from its parent's strong pipeline, increase in its vaccines basket & focus on the high-growth chronic therapy segments like Cardiology, Diabetes etc. make it a good long term growth prospect. Besides these, its increased focus on new market segments of Hospitals & Rural areas, that account for a big part of the Indian domestic market, also augers well. Divestment of non-core businesses would also help the company to focus on its core business of pharmaceuticals.

GSK's India specific strategy of launching 3-4 products every year, In-licensing deals, conducting Clinical trials for its parent & the parent's committed support gives it an edge over the rest. GSK has already launched about 5 products (both from parent's portfolio & in-licensed) in CY2008 & further plans to launch 6-7 new products in the next two years. We estimate 6.8% & 9.7% CAGR in GSK's top-line & bottom-line respectively over CY2007-2010E period. At CMP of Rs. 1,175, the scrip trades at PE of 20.1x & EV/EBITDA of 12.7x CY09E earnings. We initiate coverage with ACCUMULATE rating on the company.

### Key Investment Highlights

- ✓ Launch of patented products, both from parent's portfolio & in-licensed.
- ✓ Shifting focus to high-margin chronic therapy segments & increasing focus on hospitals & rural markets.
- ✓ Margin Improvement clearly visible.
- ✓ Debt-free, Cash-rich & Decent dividend payouts.

### Summary Financials

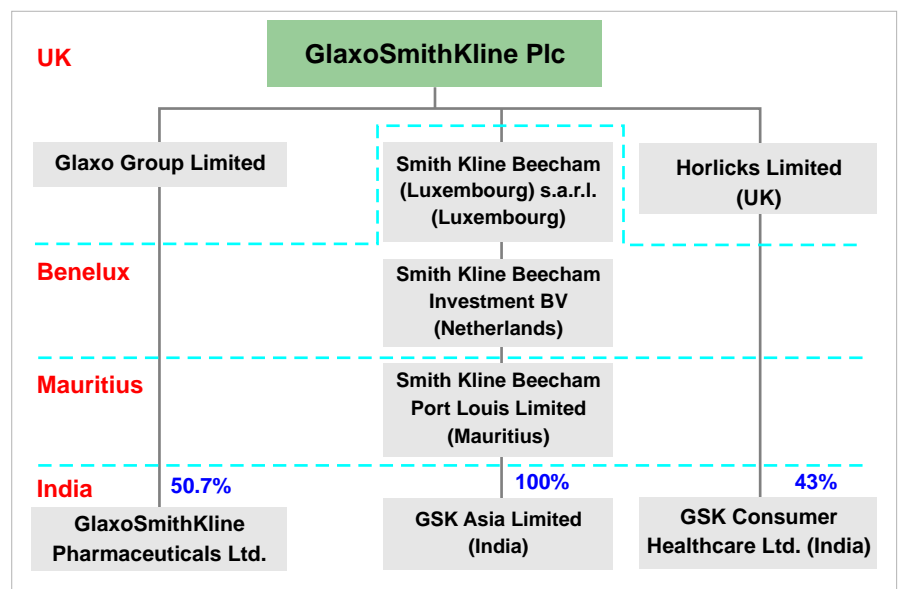
Particulars	CY04	CY05	CY06	CY07	CY08E	CY09E	CY10E
Total Revenues	14,096.8	15,185.4	15,819.9	16,082.1	16,806.1	18,150.6	19,602.7
EBITDA (%)	31.9%	33.5%	37.1%	40.3%	41.8%	42.5%	42.9%
Adjusted EPS (Rs.)	31.0	36.8	43.4	48.4	53.0	58.5	63.8
Adjusted P/E (x)	37.9	31.9	27.1	24.3	22.2	20.1	18.4
EV/EBITDA (x)	22.7	19.5	16.9	15.1	14.0	12.7	11.7
ROCE (%)	46.1%	51.0%	46.8%	45.3%	42.9%	41.4%	39.9%
RONW (%)	29.3%	32.7%	30.5%	29.7%	28.2%	27.2%	26.2%
Dividend Payout (%)	62.1%	46.8%	47.7%	55.7%	45.2%	46.2%	47.0%
Dividend Yield (%)	2.0%	2.4%	2.6%	3.1%	2.0%	2.3%	2.6%

GlaxoSmithKline Pharmaceuticals Ltd. (GSK India) is among the top three pharmaceutical companies in India with a market share of 6.4% (Source: ORG IMS IPA Dec. 2007). One of the oldest pharmaceutical companies to be established in India (Year: 1924), GSK has been a market leader with a turnover of over Rs. 1,700 crores, commanding the number one position in six out of the ten therapeutic areas that it operates in. Among MNC Pharmaceutical companies operating in India, GSK leads with a market share of 24.4%. (Source: ORG IMS Dec. MAT 2007)

The company's product portfolio includes prescription medicines ranging across therapeutic areas like Anti-Infectives, Dermatology, Gynaecology, Diabetes, Cardiovascular & Respiratory diseases. GSK also offers a range of vaccines, for the prevention of Hepatitis A, Hepatitis B, Invasive Disease caused by H, Influenzae, Chickenpox, Diphtheria, Pertussis, Tetanus & others. Besides successfully launching products from its parent's portfolio over the years, the company has also in-licensed a number of products from other global pharmaceutical majors & launched them in the Indian domestic market.

GSK has two manufacturing facilities in India, one state-of-the-art facility located at Nashik for manufacture of Formulations & one at Thane for the manufacture of Bulk Drugs. The company also has a clinical development center at Bangalore. GSK divested its Agrivet Farm Care (AFC) & Qualigens Fine Chemicals (QFC) businesses on a going concern basis in the past two years to concentrate on its main business segment of pharmaceuticals.

GSK – Group Holding Pattern chart



## Strong Parentage

GlaxoSmithKline Pharmaceuticals Ltd. is a 50.67% subsidiary of the British drug giant GlaxoSmithKline Plc., a United Kingdom-based pharmaceutical, biological & healthcare company. The British drug major is one of the industry leaders with a turnover of £22.7 billion for 2007 & an estimated 7% share of the world's pharmaceutical market. It is one of the few pharmaceutical companies researching both medicines & vaccines for World Health Organization's (WHO) three priority diseases – HIV/AIDS, Tuberculosis & Malaria.

GSK Plc. operates principally in two industry segments:

- Pharmaceuticals (prescription pharmaceuticals & vaccines)
- Consumer Healthcare (OTC medicines, Oral Care & Nutritional Healthcare).

The company's principal pharmaceutical products are directed towards therapeutic areas like Respiratory, Central Nervous System (CNS), Anti-Virals, Metabolic, Vaccines, Cardiovascular & Urogenital, Anti-Bacterials/Anti-Malarials, Oncology & Melesis & Others. It holds a leading position in the world pharmaceutical market & has 8 products in the world's top 60 pharmaceutical products; these being – Augmentin, Avandia, Imigran/Imitrex, Lamictal, Seretide/Advair, Seroxat/Paxil, Wellbutrin & Zofran.

The parent company – GSK Plc. is committed to launching patented products in India through its listed entity & has one of the largest & promising product pipelines with 149 projects in clinical development:

- 89 New Chemical Entities (NCEs)
- 37 Product Line Extensions (PLEs)
- 23 Vaccines.

At present, 32 drugs are in the Phase III/Filing stage & the company has unveiled plans of 25 potential launches between CY07 & CY09E. This gives the domestic listed entity - GSK India a clear advantage with access to its parent's product pipeline.

## Future growth coming from New products launches & Focus on hospitals & rural markets

GSK has launched a number of products in the Indian domestic market from its parent's portfolio over the past several years. These new products have helped GSK achieve significant Y-o-Y growth & attain a leadership position in the Indian pharmaceutical market. Some of these products like Augmentin (Anti-Infective), Betnesol (Corticosteroids), Eltroxin (Thyroid preparations), Zentel (Anti-parasitic) etc. have attained leadership positions in their respective segments.

Following is a list of products that the company has launched in India over the recent past :

#### New Product Launches in India

Product Name	Therapeutic Area	Launch
Windamet	Diabetes	CY2005
Windia	Diabetes	CY2005
Elogen	Gynaecology	CY2005
Zerogen	Gynaecology	CY2005
Parit	Gastrointestinal ( <i>In-licensed from Eisai</i> )	CY2006
Zemetril	Anti-Infective	CY2007
Inflapen	Analgesic	CY2007
Carzec	CVS	CY2007
Arixtra	CVS	CY2007
Tykerb	Breast Cancer (Patented till 2017)	CY2008
Infanrix	Diphtheria, Tetanus & Pertussis Vaccine	CY2008
Bootrix	Diphtheria, Tetanus & Pertussis Vaccine	CY2008
Olmesartan	CVS ( <i>In-licensed from Daiichi Sankyo</i> )	CY2008
Rotarix	Vaccine for Diarrhoea (Infants)	CY2008

Source: Company, PPFAS Research

The company intends to launch two to three patented products in the domestic market every year. Following is a list of products that the company has in its pipeline :

#### New Products Pipeline

Product Name	Therapeutic Area	Expected Launch
Cervarix	Cervical Cancer Vaccine	CY09E
Allermist	Anti-Allergy	CY09E
Infanrix Hexa	DTPa+Hib+HB+IPV Vaccine	CY09E
Mycamine	Anti-Fungal ( <i>In-licensed from Astellas</i> )	CY09E
Eltrombopag	Thrombocytopenia (Patent)	CY09E
Synflorix	Strepto Pneumonia Vaccine	CY10E

Source: Company, PPFAS Research

Further, the company is focusing on corporate hospitals segment & fast growing rural market to enhance its sales growth. GSK India leads in pharmaceutical sales to hospitals with around 7.4% market share (Source: ORG IMS, Dec. 2007).

To achieve the expected growth in these areas, the company has restructured its sales & marketing force into specialty teams covering CVS, Diabetes & Oncology, besides Dermatology, Biologicals & Critical Care.

#### Benefits from In-licensing Deals

A key strategy that GSK follows is to identify new products in high-growth therapeutic areas like Cardiology & Diabetes & in therapeutic areas where it has a well-established presence like Critical Care, Dermatology & Biotechnology. Following this strategy, the company has entered into In-licensing agreements with other global pharmaceutical companies to market their drugs in the Indian domestic market & has launched the following in-licensed products in India over the years.

**In-licensed products launched**

Product Name	Indications	Company
Cetzine	Anti-Allergic	Farchim
Levocetirizine	Anti-Allergic	Farchim
Cefizox	Antibiotic	Fujisawa
Alpha D3	Vitamin D3	Teva
Albion	Novel Chelated Iron	Ferronine
Terbenafine	Anti-Fungal	Novartis
Contraceptives	Oral Contraceptives	Organon
Parit	Anti-Ulcerant	Eisai
Olmesartan	CVS	Daiichi Sankyo

Source: Company, PPFAS Research

In CY2008, GSK entered into In-licensing agreements with Astellas & Daiichi Sankyo, both Japanese pharmaceutical companies, to launch their patented drugs in the Indian market. GSK earns a percentage share of Gross Profits on such In-licensed products, such that there is no margin dilution for the company. Currently, the company is in the advanced stages of discussions for alliances in Cardiology & Critical Care segments & other opportunities in areas like Cosmeceuticals & Critical Care Antibiotics are also being explored. We believe that this policy would help the company to achieve better growth in the years going forward.

**Vaccines Leadership**

GSK Pharma is the leader in the Rs. 3 billion vaccines market in India with around 33% market share. Two major products in the vaccine segment for the company, include 'Rotarix' (Diarrhoea in Infants) & 'Cervarix' (Cervical Cancer). The company has already launched 'Rotarix' in CY2008 & plans to launch 'Cervarix' in H1CY2009E. It further plans to launch 'Synflorix' (Strepto Pneumonia Vaccine) & 'Infanrix Hexa' (DTP vaccine) in the next two years.

Vaccines contributed about 10-11% of the company's Total Revenues for CY2007. We believe that these new vaccine launches would further strengthen GSK's market share in the vaccine segment & by 2012-13, vaccines would contribute around 25% to its Total Revenues.

**Change in Focus to High-growth Lifestyle Segments**

Realizing the shift in focus to the high-margin chronic segment owing to a change in lifestyle, GSK, which was concentrated in the Anti-Infectives & Vitamin segments, is now planning to establish itself in the chronic segments like Cardiology, Diabetes & Oncology while maintaining its leadership in Dermatology & Critical Care.

Currently, majority of GSK's revenues come from mass market drugs (around 82%) while specialty therapy products & vaccines contributing close to 7% & 11% respectively. Going forward, GSK intends to restructure its product mix in favor of the Specialty Products & by 2012-13, it plans to achieve 25% revenue contribution from Specialty Therapy products. We also believe that the change in its product mix towards high-growth lifestyle segments would bring down GSK's exposure to DPCO, which is currently around 28%.

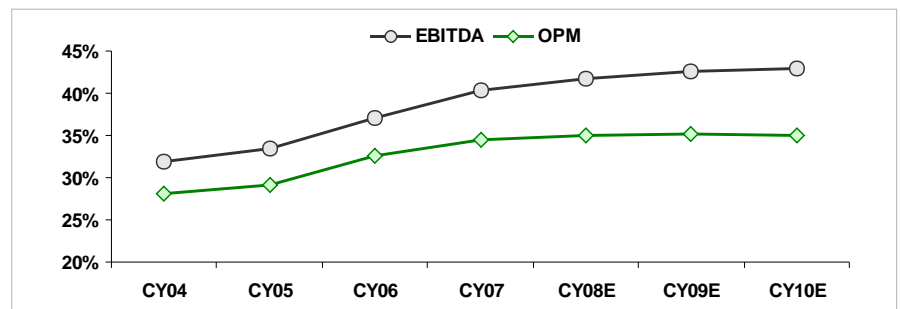
**Increasing share of Revenues from Clinical Trails**

GlaxoSmithKline Pharmaceuticals Ltd. participated in 16 global Clinical Trials of which, 11 were Phase II & 5 were Phase III studies, spanning across 6 therapeutic areas involving over 300 patients. These clinical studies are across number of disease areas ranging from Cancer, Depression, Schizophrenia, Diabetes & Leishmaniasis (Kala Azar). This is an evolutionary business which is done on a cost plus mark-up basis. Revenues from Clinical Trials were close to Rs. 250 Mn. for CY07 & is expected to be in the range of Rs. 400 Mn. for the year ended December 2008. Though this might not be a huge commercial opportunity for the company, GSK India is committed to increasing its relevance to the parent company & is conducting clinical R&D in India for new products likely to be launched in the later years.

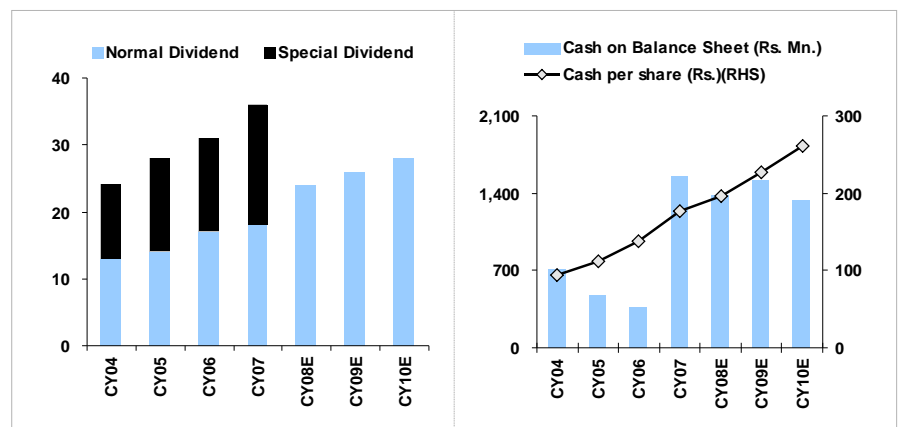
**Improving Margins – Healthy Financials**

Being one of the best established pharmaceutical companies in India, GSK commands premium pricing for its products over other products in their respective segments. Over the past years, GSK Pharma has restructured itself & divested from its non-core businesses. These initiatives have helped the company to improve its margins from below 20% in CY2002 to about 34% in CY07. Further, with tight cost controls, focus on high-margin priority products & reducing its dependence on price-controlled products, we believe the company would be able to maintain/improve its margins going forward.

**Steadily improving margins**



Glaxo also has very stable & healthy financials in terms of negligible debt component & high free cash flow generation. With very nominal capex, the company has various options to utilize this cash for brand acquisitions, share buy-back, investments or dividend payouts. The company has consistently rewarded investors with decent dividend yields. For CY2007, the company declared a dividend of Rs. 36 per share (including a special dividend of Rs. 18 per share) translating to dividend yield of 3.2%. Going forward we expect the dividend yields to be between 2 - 2.6% from regular dividends (with upside coming from special dividends).



## Regulatory Risks

The Government proposes to bring all 354 medicines on the National Lists of Essential Medicines under the Drug Price Control Order (DPCO) net, from 74 drugs currently, through the New Pharmaceutical Policy 2006. While there is lack of clarity on this front, in the event of this law getting passed in its present form, it would prove detrimental to both the domestic & MNC pharmaceutical companies, who have strongly opposed the policy.

Currently, products under the DPCO contribute around 28% to GSK's top-line. We understand that if the new Pharmaceutical Policy gets passed, we can see a negative impact on GlaxoSmithKline's top-line & margins going forward.

Also, uncertainties continue over patentability as several patented products continue to be challenged pre/post grant of patents, by the Indian domestic pharma companies.

## Lackluster performance

Off late, GSK Pharma's performance on the revenue front has been lackluster in comparison with other peer companies & the overall industry. Besides this, the company has divested its animal health & fine chemical businesses in the past two years. Also, the new product launches by the company would materially start contributing to GSK's top-line after two-three years. We expect the company to clock 6% - 10% CAGR growth in its top-line & bottom-line over CY07-CY10E period.

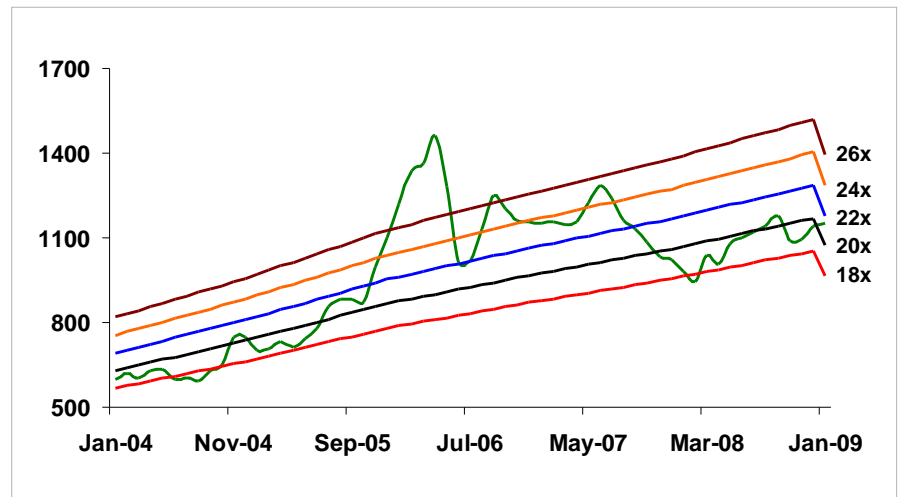
## Risks in the global product portfolio

The parent company GSK Plc. has come under the US FDA scanner for its blockbuster anti-diabetic drug – 'Avandia' ('Windia'), since some studies have shown that it increases the risk of heart failures. Any such product issues could impact the launch of new products in the Indian domestic market. Besides, any delay in launches of new products could prove detrimental to the companies growth prospects.

Despite the lackluster performance in the recent past, we remain positive about the long-term growth prospects of GlaxoSmithKline Pharmaceuticals Ltd. Patented product launches, sharper focus on pharmaceuticals & greater opportunities in clinical research lend strength to the company's future. GSK India has focused on power brands and restructured its operations leading to expansion in margins up to 30%+ currently. We expect a ramp up in earnings ahead, from the slated new product launches every year, shift in focus to high-growth therapy segments like Cardiology, Diabetes & Oncology & increased focus on hospitals & rural areas.

Strong parental commitment, divestment of non-core businesses to focus on the core business segment & clarity on new product launches are some of the arguments in favor of the company. Further, healthy cash per share & decent dividend yield adds to the defensive nature of the stock. At CMP of Rs. 1,175, the scrip trades at 20.1x CY09E & 18.4x CY10E earnings. We initiate coverage on the company with an ACCUMULATE rating.

## PE Band



GlaxoSmithKline Pharmaceuticals Ltd. reported its Q3CY08 numbers in line with the industry, its top-line & bottom-line witnessing a Q-o-Q growth of 11% & 15% respectively. With a mere increase of 5% in Total Expenditure, the Operating Profits for the quarter stood at Rs. 1,764.1 Mn. for Q3CY08 & the company witnessed a Q-o-Q rise in Operating Margins by almost 180 bps to 38%. The Net Interest Income on Investments grew by 18% Q-o-Q, thereby leading to a EBITDA growth of 14% from Rs. 1,770.4 Mn. in Q2CY08 to Rs. 2,017.7 Mn. in Q3CY08. The company reported a jump of 14.9% in PAT levels from Rs. 1,148.6 Mn. in Q2CY08 to Rs. 1,319.7 MN. in Q3CY08.

On a Y-o-Y comparison, the company fared better in terms of operating performance. The top-line grew by 9.2% Y-o-Y to Rs. 4,637.1 Mn. GSK saw a Y-o-Y rise of 15.7% & 21% in Operating Profits & PAT before Extraordinary levels respectively. However, at Reported PAT levels, the company saw a dip of 47% due to the Extraordinary Profits of Rs. 1,399.1 Mn. in Q3CY07 from the Sale of its Fine Chemical Business.

*Note : GSK has announced that it would be announcing the annual financial results for the year ended 31st December 2008 by 31st March 2009 & hence, would not be announcing the Q4CY08 results, i.e results for the quarter ended December 2008.*

Earnings Statement								
YE March (Rs. Mn.)	Q308	Q208	Q-Q(%)	Q307	Y-Y(%)	9M08	9M07	Y-Y(%)
Net Revenues	4,637.1	4,169.0	11.2%	4,244.7	9.2%	12,987.2	12,415.4	4.6%
Cost of Materials	1,740.7	1,578.2	10.3%	1,680.3	3.6%	4,994.0	4,922.2	1.5%
Gross Profit	2,896.4	2,590.8	11.8%	2,564.4	12.9%	7,993.2	7,493.2	6.7%
Staff Costs	444.3	455.1	-2.4%	400.6	10.9%	1,302.3	1,224.4	6.4%
Recovery of Expenses	(10.5)	(29.5)	-64.4%	(15.6)	-32.7%	(57.3)	(56.5)	1.4%
Excise Duty on Samples	(9.7)	5.9		15.3		(37.9)	68.0	
Expenses Relating to Service Income	(67.3)	(82.3)	-18.2%	(121.7)	-44.7%	(236.1)	(121.7)	94.0%
Other Expenses	775.5	730.2	6.2%	761.0	1.9%	2,224.9	2,180.7	2.0%
Total Expenditure	1,132.3	1,079.4	4.9%	1,039.6	8.9%	3,195.9	3,294.9	-3.0%
Operating Profit	1,764.1	1,511.4	16.7%	1,524.8	15.7%	4,797.3	4,198.3	14.3%
OPM (%)	38.0%	36.3%	179.0	35.9%	212.1	36.9%	33.8%	312.3
Interest Income (Net)	150.9	127.6	18.3%	137.6	9.7%	402.6	344.1	17.0%
Other Income	102.7	131.4	-21.8%	42.5	141.6%	451.0	420.1	7.4%
EBITDA	2,017.7	1,770.4	14.0%	1,704.9	18.3%	5,650.9	4,962.5	13.9%
Depreciation	40.0	39.0	2.6%	37.6	6.4%	116.1	111.4	4.2%
EBIT	1,977.7	1,731.4	14.2%	1,667.3	18.6%	5,534.8	4,851.1	14.1%
Interest	0.0	0.0		0.0		0.0	0.0	
PBT	1,977.7	1,731.4	14.2%	1,667.3	18.6%	5,534.8	4,851.1	14.1%
Tax	658.0	582.8	12.9%	576.3	14.2%	1,853.8	1,682.6	10.2%
Current Tax (Incl. FBT)	667.6	584.5	14.2%	554.7	20.4%	1,873.6	1,619.5	15.7%
Deferred tax	(9.6)	(1.7)	464.7%	21.6		(19.8)	63.1	
PAT	1,319.7	1,148.6	14.9%	1,091.0	21.0%	3,681.0	3,168.5	16.2%
Extra-ordinary Income	0.0	0.0		1,399.1		0.0	1,399.1	
Reported PAT	1,319.7	1,148.6	14.9%	2,490.1	-47.0%	3,681.0	4,567.6	-19.4%
Equity Capital	847.0	847.0		847.0		847.0	847.0	
EPS	15.6	13.6	14.9%	29.4	-47.0%	43.5	53.9	-19.4%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q308	Q208	Q-Q(%)	Q307	Y-Y(%)	9M08	9M07	Y-Y(%)
OPM (%)	38.0%	36.3%	179.0	35.9%	212.1	36.9%	33.8%	312.3
EBITDA (%)	43.5%	42.5%	104.6	40.2%	334.7	43.5%	40.0%	354.1
EBIT (%)	42.6%	41.5%	111.9	39.3%	337.0	42.6%	39.1%	354.4
PAT (%)	28.5%	27.6%	90.9	58.7%	(3,020.4)	28.3%	36.8%	(844.7)

Earnings Statement							
Particulars (Rs. Mn.)	CY04	CY05	CY06	CY07	CY08E	CY09E	CY10E
Total Revenues	14,096.8	15,185.4	15,819.9	16,082.1	16,806.1	18,150.6	19,602.7
- Growth (%)		7.7%	4.2%	1.7%	4.5%	8.0%	8.0%
Total Expenditure	10,133.5	10,761.9	10,659.2	10,530.1	10,926.2	11,756.6	12,743.9
Operating Profit	3,963.3	4,423.5	5,160.7	5,552.0	5,879.9	6,394.0	6,858.8
Forex Gain/(Loss)	11.4	3.3	(1.4)	18.7	0.0	0.0	0.0
Other Income	521.5	657.3	704.8	910.0	1,141.1	1,328.6	1,553.6
EBITDA	4,496.2	5,084.1	5,864.1	6,480.7	7,021.0	7,722.6	8,412.4
Goodwill Amortization	42.1	42.1	42.1	42.2	0.0	0.0	0.0
Depreciation	175.1	157.7	158.6	163.2	161.2	161.2	161.2
EBIT	4,278.9	4,884.3	5,663.4	6,275.3	6,859.8	7,561.4	8,251.1
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	4,278.9	4,884.3	5,663.4	6,275.3	6,859.8	7,561.4	8,251.1
Tax	1,572.6	1,767.3	1,991.3	2,179.2	2,366.6	2,608.7	2,846.6
PAT Before EI	2,706.3	3,117.0	3,672.1	4,096.1	4,493.2	4,952.7	5,404.5
- Growth (%)		15.2%	17.8%	11.5%	9.7%	10.2%	9.1%
Extra-ordinary Items	670.4	1,954.4	1,837.9	1,379.4	0.0	0.0	0.0
PAT	3,376.8	5,071.5	5,510.0	5,475.5	4,493.2	4,952.7	5,404.5

Ratio Analysis							
Particulars	CY04	CY05	CY06	CY07	CY08E	CY09E	CY10E
OPM (%)	28.1%	29.1%	32.6%	34.5%	35.0%	35.2%	35.0%
EBITDA (%)	31.9%	33.5%	37.1%	40.3%	41.8%	42.5%	42.9%
PBIT (%)	30.4%	32.2%	35.8%	39.0%	40.8%	41.7%	42.1%
PAT Before EI (%)	19.2%	20.5%	23.2%	25.5%	26.7%	27.3%	27.6%
PAT (%)	24.0%	33.4%	34.8%	34.0%	26.7%	27.3%	27.6%
Adjusted EPS (Rs.)	31.0	36.8	43.4	48.4	53.0	58.5	63.8
EPS (Rs.)	38.7	59.9	65.1	64.6	53.0	58.5	63.8
Adjusted PE (x)	37.9	31.9	27.1	24.3	22.2	20.1	18.4
P/E (x)	30.4	19.6	18.1	18.2	22.2	20.1	18.4
P/BV (x)	11.1	10.4	8.3	7.2	6.3	5.5	4.8
BVPS (Rs.)	105.8	112.5	142.2	163.0	188.0	214.9	243.6
Market Cap (Rs. Mn.)	102,603.9	99,525.9	99,525.9	99,525.9	99,525.9	99,525.9	99,525.9
M Cap/Sales (x)	7.3	6.6	6.3	6.2	5.9	5.5	5.1
EV (Rs. Mn.)	101,927.0	99,098.5	99,223.1	98,034.0	98,199.7	98,062.7	98,245.6
EV/EBITDA (x)	22.7	19.5	16.9	15.1	14.0	12.7	11.7
EV/Sales (x)	7.2	6.5	6.3	6.1	5.8	5.4	5.0
ROCE (%)	46.1%	51.0%	46.8%	45.3%	42.9%	41.4%	39.9%
RONW (%)	29.3%	32.7%	30.5%	29.7%	28.2%	27.2%	26.2%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory T/o Days	59.7	53.4	56.9	47.9	52.0	52.0	52.0
Debtors T/o Days	19.7	16.2	13.9	8.6	11.0	11.0	11.0
Advances T/o Days	26.1	26.6	34.1	30.3	32.0	32.0	32.0
Creditors T/o Days	57.2	61.5	57.7	56.1	58.0	58.0	58.0
Working Cap T/o Days	7.6	(18.7)	(11.4)	(16.6)	(3.6)	(3.6)	(9.7)
Fixed Assets T/o (Gross)	5.5	6.0	6.2	6.0	6.3	6.8	7.3
DPS (Rs.)	24.0	28.0	31.0	36.0	24.0	27.0	30.0
Dividend Payout (%)	62.1%	46.8%	47.7%	55.7%	45.2%	46.2%	47.0%
Dividend Yield (%)	2.0%	2.4%	2.6%	3.1%	2.0%	2.3%	2.6%

Balance Sheet							
Particulars (Rs. Mn.)	CY04	CY05	CY06	CY07	CY08E	CY09E	CY10E
Equity Capital	873.2	847.0	847.0	847.0	847.0	847.0	847.0
Reserves	8,364.3	8,684.5	11,200.4	12,961.4	15,064.0	17,262.1	19,559.7
Shareholders Funds	9,237.5	9,531.5	12,047.5	13,808.4	15,911.0	18,109.1	20,406.7
Minority Interest							
Borrowed Funds	38.4	48.5	55.4	58.0	58.0	58.0	58.0
Deferred Tax Liability	(448.2)	(299.1)	(247.6)	(203.2)	(66.4)	79.4	234.2
<b>Total Liabilities</b>	<b>8,827.7</b>	<b>9,281.0</b>	<b>11,855.2</b>	<b>13,663.1</b>	<b>15,902.6</b>	<b>18,246.4</b>	<b>20,698.9</b>
Goodwill	126.5	84.3	42.2	0.0	0.0	0.0	0.0
Fixed Assets	917.1	971.3	946.4	929.2	868.0	806.8	745.6
Investments	7,492.1	9,004.4	11,359.2	13,464.7	14,964.7	17,464.7	19,964.7
Current Assets							
Inventory	2,303.9	2,223.2	2,467.9	2,112.1	2,394.3	2,496.1	2,600.9
Sundry Debtors	760.6	673.9	604.5	377.7	506.5	528.0	550.2
Other Current Assets	217.9	204.5	280.2	290.0	290.0	290.0	290.0
Loans & Advances	1,006.8	1,108.2	1,478.7	1,336.0	1,473.4	1,536.0	1,600.5
Cash & Bank Balance	715.3	476.0	358.2	1,549.9	1,621.6	1,605.0	1,699.3
Current Liabilities							
Sundry Creditors	2,210.3	2,559.3	2,500.4	2,471.0	2,670.6	2,784.1	2,901.0
Provisions	2,502.2	2,905.5	3,181.5	3,925.5	3,545.4	3,696.1	3,851.3
Net Current Assets	292.0	(779.1)	(492.6)	(730.8)	69.8	(25.1)	(11.4)
Miscellaneous Expenditure							
<b>Total Assets</b>	<b>8,827.7</b>	<b>9,281.0</b>	<b>11,855.2</b>	<b>13,663.1</b>	<b>15,902.6</b>	<b>18,246.4</b>	<b>20,698.9</b>

Cash Flow							
Particulars (Rs. Mn.)	CY04	CY05	CY06	CY07	CY08E	CY09E	CY10E
Opening Cash & Bank	943.2	715.3	476.0	358.2	1,549.9	1,621.6	1,605.0
Profit After Tax	3,376.8	5,071.5	5,510.0	5,475.5	4,480.9	4,774.5	5,072.2
Investment Income	(521.5)	(657.3)	(704.8)	(910.0)	(1,122.4)	(1,309.9)	(1,497.4)
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	175.1	157.7	158.6	163.2	161.2	161.2	161.2
Deferred Taxation	125.5	163.4	53.3	121.2	136.8	145.8	154.9
Others	203.6	(70.7)	(155.3)	(82.2)	0.0	0.0	0.0
Change in Working Cap	124.5	831.8	(404.3)	1,430.0	(729.0)	78.3	80.6
CF - Operating Activities	3,483.9	5,496.3	4,457.5	6,197.7	2,927.5	3,850.0	3,971.6
Change in Fixed Assets	969.0	(113.3)	61.9	(98.5)	(100.0)	(100.0)	(100.0)
Change in Investments	(2,842.4)	(1,512.3)	(2,354.8)	(2,105.5)	(1,500.0)	(2,500.0)	(2,500.0)
Investment Income	521.5	657.3	704.8	910.0	1,122.4	1,309.9	1,497.4
CF - Investing Activities	(1,352.0)	(968.3)	(1,588.1)	(1,294.0)	(477.6)	(1,290.1)	(1,102.6)
Increase in Equity	0.0	(2,073.1)	0.0	(147.0)	0.0	0.0	0.0
Changes in Borrowings	9.8	10.1	6.8	2.6	0.0	0.0	0.0
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	(2,369.6)	(2,704.3)	(2,994.1)	(3,567.5)	(2,378.3)	(2,576.4)	(2,774.6)
CF - Financing Activities	(2,359.8)	(4,767.3)	(2,987.2)	(3,711.9)	(2,378.3)	(2,576.4)	(2,774.6)
Net Change in Cash	(227.8)	(239.4)	(117.8)	1,191.8	71.6	(16.6)	94.3
Closing Cash & Bank Balance	715.3	476.0	358.2	1,549.9	1,621.6	1,605.0	1,699.3

# Disclaimer

## Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

GSK Pharma

- NO  
YES  
YES

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