

GlaxoSmithKline Consumer Healthcare Ltd

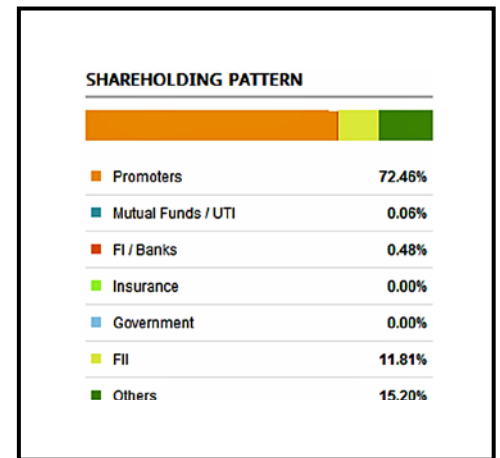
CMP: 4250

01/10/2013

COMPANY PROFILE

SECTOR: POWER - FOOD PROCESSING (CONSUMER STAPLES)

GlaxoSmithKline Consumer Healthcare Limited is engaged in nutritional business. The Company's products include malt-based food and biscuits. Its range of brands includes Horlicks Ninja, Junior Horlicks, Mother's Horlicks, Horlicks Lite, Horlicks Biscuits, Boost, Maltova and Viva. Boost is a malt-based food drink in chocolate flavor. It's over the counter products include crocin, eno and iodex. The Company has manufacturing facilities at Nabha, Rajahmundry and Sonapat. Horlicks Limited holds 72.46% of equity shares of the Company.



PRICE PERFORMANCE



(Stock Price performance for 3 Months)

Source: Company Data, Bloomberg, in.reuters and Moneycontrol

FINANCIALS

Balance Sheet

| Y/E Dec (Rs cr) | CY2008 | CY2009 | CY2010 | CY2011 | CY2012E | CY2013E |
|------------------------------|------------|------------|------------|--------------|--------------|--------------|
| SOURCES OF FUNDS | | | | | | |
| Equity Share Capital | 42 | 42 | 42 | 42 | 42 | 42 |
| Reserves & Surplus | 719 | 863 | 918 | 1,102 | 1,319 | 1,613 |
| Shareholders Funds | 761 | 905 | 960 | 1,144 | 1,361 | 1,655 |
| Total Loans | - | - | - | - | - | - |
| Deferred Tax Liability | 7 | (11) | (27) | (40) | (62) | (40) |
| Long term Provisions | | | | 51 | 77 | 77 |
| Other long term liabilities | | | | 10 | 11 | 11 |
| Total Liabilities | 767 | 894 | 933 | 1,165 | 1,388 | 1,703 |
| APPLICATION OF FUNDS | | | | | | |
| Gross Block | 473 | 492 | 533 | 570 | 599 | 965 |
| Less: Acc. Depreciation | 329 | 364 | 397 | 436 | 472 | 528 |
| Net Block | 144 | 128 | 136 | 134 | 127 | 437 |
| Capital Work-in-Progress | 16 | 38 | 108 | 149 | 197 | 125 |
| Goodwill | 66 | 66 | 66 | 66 | 66 | 66 |
| Investments | - | - | - | - | - | - |
| Long term loans and advances | | | | 50 | 45 | 45 |
| Current Assets | 853 | 1,173 | 1,423 | 1,642 | 2,057 | 1,977 |
| Cash | 471 | 820 | 976 | 1,080 | 1,464 | 1,313 |
| Loans & Advances | 62 | 56 | 84 | 93 | 111 | 93 |
| Other | 320 | 297 | 363 | 469 | 482 | 571 |
| Current liabilities | 312 | 511 | 800 | 878 | 1,105 | 947 |
| Net Current Assets | 541 | 662 | 623 | 765 | 952 | 1,030 |
| Mis. Exp. not written off | - | - | - | - | - | - |
| Total Assets | 767 | 894 | 933 | 1,165 | 1,388 | 1,703 |

| | |
|--------------------------------|------------|
| Current P/E Ratio (ttm) | 40.92 |
| Estimated P/E(12/2013) | 34.13 |
| Relative P/E vs. SENSEX | 2.4256 |
| Earnings Per Share (ttm) | 103.8521 |
| Est. EPS (12/2013) | 124.5 |
| Est. PEG Ratio | 1.58 |
| Market Cap (M INR) | 178755 |
| Shares Outstanding (M) | 42.06 |
| 30 Day Average Volume | 15,155 |
| Price/Book (mrq) | 13.1334 |
| Price/Sale (ttm) | 5.607 |
| Dividend Indicated Gross Yield | 1.04% |
| Cash Dividend (INR) | 45.0000 |
| Last Dividend | 03/19/2013 |
| 5 Year Dividend Growth | 30.26% |
| Next Earnings Announcement | 01/11/2013 |

FORECAST

- GlaxoSmithKline Consumer Healthcare second quarter net profit rose 13 per cent year-on-year to Rs. 120 crore.
- Net sales in the April-June quarter were up 17 per cent from a year ago to Rs. 853 crore.
- Foreign promoters had decided to raise their stake to 75 % but they did manage to get 72.46%. In that time the stock reached to its all-time high at INR 6347. They have already got INR66 EPS for the first half year of 2013.
- Stock has outperformed FMCG sector by 27% in the past one year.
- Consistent dividend record year after year.

VALUATIONS

At the CMP of INR4250 and market capitalization of 17875.5 crores, the stock is trading at the P/E of 31.2x of its FY13E earnings. We recommend BUY rating on the stock based on discounted free cash flow approach with a target price of INR 5700/- (₹) in 5-7 months.

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