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GLAXOSMITHKLINE CONSUMER HEALTHCARE LTD.

BSE Code: 500676 NSE Code: GSKCONS Reuters Code: GLSM.BO Bloomberg Code: GLXO:IN

GlaxoSmithKline Consumer Healthcare Limited (GLAXO) 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 flavour. Its over the counter products include crocin, eno and iodex. The Company has manufacturing facilities at Nabha, Rajahmundry and Sonapat. Horlicks Limited holds 43.16% of equity shares of the Company.

Investor's Rationale

Topline grew 16.9% YoY on healthy volume - GLAXO, registered a healthy growth in topline during Q2CY'13 by 16.9% at ₹8,529 mn mainly on account of healthy volume growth across the segment. Overall volume grew by 7% YoY and price growth was 10% while sales mix improved by 150bps. MFD volumes increased 7% led by 9% volume growth in Horlicks and 5% in Boost. Biscuit volumes increased 17%, while new flavour launches enabled 42% sales growth in Horlicks Oats. Domestic market grew by 18% while export grew by 4%. The company's key brands grew by 18%. Chocolate Horlicks, Women Horlicks and Junior Horlicks saw double digit growth. Packaged foods saw a growth of 19%.

Double fold growth in bottomline by 12.5% YoY on healthy sales - GLAXO recorded another quarter of strong double digit profitable growth by 12.5% YoY at ₹1,200 mn mainly driven by superior sales performance and a strong cost management programme). Further, net profit was impacted by higher depreciation and tax by 42.7% and 19.9% at ₹122.0 mn and ₹622.5 mn respectively. However, interest cost declined by 80.7% at ₹1.6 mn. Thus, NPM crashed by 63bps YoY at 12.9% against 13.5%.

EBITDA margin crashed 85bps YoY on higher operating cost - The EBITDA of the company grew 12.0% YoY at ₹1,560 mn while OPM declined 85bps at 17.5% against 18.4% due to rise in staff cost by 130 bps to 11.49% and other expenses by 150 bps to 21.32% of adjusted net sales.

New launches - The health drink portfolio continues to be a market leader with an overall volume share of 65.2%. In May this year, Horlicks has made entry into the flavoured oats segment with the launch of 3 new exciting flavours :- Classic Masala, Southern Spices and Mild Kurma. The portfolio expanded with the launch of Nutribic Honey & Crispy Oats biscuits in April 2013. In Oral Health Care, the company increased focus in India through launch of Sensodyne Repair & Protect, in April 2013. Eno extended into the liquid and tablet format in June 2013. The brand has also launched a new flavour- Nimbu Shikanji in its powder format.

Market Data

Rating	BUY
CMP (₹)	4,013.8
Target Price	4,415
Stop Loss	3,790
Duration	Short-term
52-week High-Low (₹)	6020/2791
Rise from 52WL (%)	43.8
Correction from 52WH (%)	33.3
Beta	-
1 year Average Volume ('0000)	3.0
	3M- (18.6)
Stock Return (%)	6M- 2.9
	1Y- 43.1
Market Cap (₹bn)	168.8
Book Value (₹)	323.6

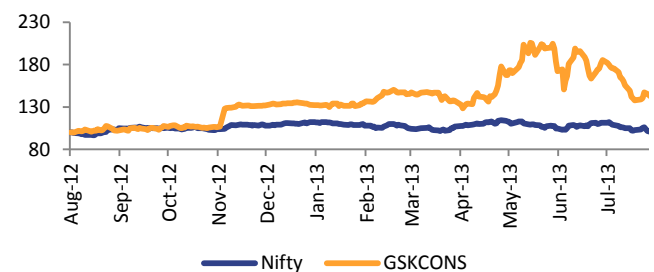
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	72.46	72.46	-
FII (%)	11.81	11.2	0.61
DII (%)	0.54	0.68	(0.14)
Public & Others (%)	15.19	15.66	(0.47)

Quarterly Performance

(₹Mn)	Q2 CY'13	Q2 CY'12	Q1 CY'13	YoY Change(%)	QoQ Change(%)
Sales	8,529	7,297	9,399	16.9	(9.3)
Op. exp	7,343	6,191	7,691	18.6	(4.5)
EBITDA	1,560	1,394	2,063	12.0	(24.4)
OPM (%)	17.5	18.4	21.2	(85bps)	(362bps)
Net profit	1,200	1,066	1,564	12.5	(23.3)
NPM (%)	12.9	13.5	15.5	(63bps)	(260bps)
EPS (₹)	28.5	25.3	37.2	12.5	(23.3)

One Year Price Chart





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