

# GLAXOSMITHKLINE CONS. HEALTHCARE LTD. #

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BEVERAGES, FOOD & TOBACCO

M N C

Chairman: S. J. Scarff

SEC: Surinder Kumar

AUD: Price Waterhouse

Yr of Inc	B. Code	BL. Code	F.V.	Price	% ch 1-m	% ch 12-m	P/E	P/CF	Yield	Mkt cap	Vol.	ISIN
1958	500676	SKB.IN	10	536.1	5.8	6.6	21.0	15.1	1.5	22,546.3	1.7	INE264A01014

## SHAREHOLDING

		FX Transaction (CY05)	
Indian Promoters	: 43.2%	Exports (fob)	Rs m 563
Foreign collaborators	: 0.0%	Imports (cif)	Rs m 55
Indian inst/Mut Fund	: 23.0%	Fx inflow	Rs m 564
FII's/GDR	: 8.0%	Fx outflow	Rs m 227
Free float	: 25.8%	Net fx	Rs m 337
Shareholders	: 24,571		

	No. of months	12	12	12
	Year ending	31/12/03	31/12/04	31/12/05

## EQUITY SHARE DATA

High	Rs	360	349	591
Low	Rs	201	250	317
Sales per share	Rs	175.3	190.0	229.9
Earnings per share	Rs	16.8	16.1	25.5
Cash flow per share	Rs	26.9	25.3	35.4
Dividends per share	Rs	7.00	7.00	8.00
Dividend yield (eoy)	%	2.5	2.3	1.8
Book value per share	Rs	104.3	116.7	113.0
Shares outstanding (eoy)	m	45.38	45.38	42.06
Bonus/Rights/Conversions		-	-	BB
Price / Sales ratio	x	1.6	1.6	2.0
Avg P/E ratio	x	16.6	18.6	17.8
P/CF ratio (eoy)	x	10.4	11.8	12.8
Price / Book Value ratio	x	2.7	2.6	4.0
Dividend payout	%	41.6	43.4	31.4
Avg Mkt Cap	Rs m	12,718	13,591	19,095
No. of employees	'000	3	3	3
Total wages/salary	Rs m	904	1,006	1,145
Avg. sales/employee	Rs Th	2,652.3	3,191.0	3,578.1
Avg. wages/employee	Rs Th	301.3	372.3	423.8
Avg. net profit/employee	Rs Th	254.7	270.9	396.7

## INCOME DATA

Net Sales	Rs m	7,957	8,622	9,668
Other income	Rs m	274	250	243
Total revenues	Rs m	8,231	8,872	9,911
Gross profit	Rs m	1,228	1,375	1,843
Depreciation	Rs m	456	415	419
Interest	Rs m	50	53	42
Profit before tax	Rs m	996	1,157	1,625
Minority Interest	Rs m	0	0	0
Prior Period Items	Rs m	0	0	0
Extraordinary Inc (Exp)	Rs m	0	0	0
Tax	Rs m	232	425	553
Profit after tax	Rs m	764	732	1,072
Gross profit margin	%	15.4	15.9	19.1
Effective tax rate	%	23.3	36.7	34.0
Net profit margin	%	9.6	8.5	11.1

## BALANCE SHEET DATA

Current assets	Rs m	2,934	4,323	4,018
Current liabilities	Rs m	1,773	1,783	1,829
Net working cap to sales	%	14.6	29.5	22.6
Current ratio	x	1.7	2.4	2.2
Inventory Turnover	Days	39	36	49
Debtors Turnover	Days	20	11	9
Net fixed assets	Rs m	3,299	3,074	2,838
Share capital	Rs m	454	454	421
"Free" reserves	Rs m	4,378	4,840	4,331
Net worth	Rs m	4,734	5,294	4,751
Long term debt	Rs m	0	0	0
Total assets	Rs m	6,863	7,396	6,856
Interest coverage	x	20.9	22.8	39.7
Debt to equity ratio	x	0.0	0.0	0.0
Sales to assets ratio	x	1.2	1.2	1.4
Return on assets	%	11.1	9.9	15.6
Return on equity	%	16.1	13.8	22.6
Return on capital	%	17.2	14.8	23.4
Exports to sales	%	5.0	6.3	5.8
Imports to sales	%	0.1	0.0	0.6

## ADJUSTED DAILY SHARE PRICE DATA



	No. of months	12	12	12
	Year ending	31/12/03	31/12/04	31/12/05

## CASH FLOW

From Operations	Rs m	1,455	1,291	985
From Investments	Rs m	-81	-120	-106
From Financial Activity	Rs m	-334	-576	-1,653
Net Cashflow	Rs m	1,040	594	-774

## INTERIM RESULTS

		4QCY05	1QCY06	2QCY06	3QCY06
Net sales	Rs m	2,424	2,769	2,688	3,015
Gross profit	Rs m	371	570	462	528
Gross profit margin	%	15.3	20.6	17.2	17.5
Net profit	Rs m	214	345	309	363
Net profit margin	%	8.8	12.5	11.5	12.0

## KEY DATA

Parameters	Unit	CY04	CY05	CY06
Revenues from malted foods	% of sales	94.4	94.6	94.9
Revenues from biscuits	% of sales	3.7	4.0	4.2
Advertising cost	% of sales	12.3	11.8	13.1

## NOTES

GSK Consumer dominates the Rs 13 bn Indian malted beverage market with a significant 65% share (volume terms). Its white beverage brand 'Horlicks' has led the market growth of this sector in India. The company's other brands include 'Boost', 'Viva' and 'Maltova'. The company also earns 4% to 5% fees by marketing products for SmithKline Beecham Asia Pvt. Ltd, the parent's 100% subsidiary. The subsidiary has well known brands like 'Aquafresh' in oral care segment, 'Eno', 'Iodex' and 'Crocin' in OTC portfolio.

The company clocked a 13% YoY revenue growth in 9mCY06, backed by a 17% YoY growth in Horlicks, Boost and other products. The flagship brand 'Horlicks', witnessed double-digit growth driven by new advertising, packaging innovation and effective consumer promotions. The company's biscuit folio too aided the growth. Margins for the period under consideration contracted by 3.3% due to higher raw material and advertising costs. The excise duty (as a percentage of sales) declined due to the company's Baddi plant, that enjoys certain excise benefits and which contributes nearly 60% to the total turnover. Net profits were up 19% YoY.

The Indian food industry is yet at a nascent stage with processed food accounting for less than a percent of the total market. The size of malted beverage market in India is estimated at around 82,000 tonnes per annum and is growing in single digits (7% to 9% per annum). Although companies like GSK have taken initiatives by launching smaller packs of 100 gms for rural markets in Tamil Nadu and West Bengal, sales have not picked up as per expectations. Also, product/brand positioning will play a vital role, as children influence their parents to buy these products.