

# Open offer keeps GSK Pharma healthy

OUR BUREAU

Chennai, February 28

Shares of GlaxoSmithKline Pharma (GSK Pharma) has been gaining in the last 10 days on commencement of the mandatory open offer by its parent UK-based GlaxoSmithKline Plc to acquire 24.33 per cent stake in the former.

The stock has been on the rise, notwithstanding the 14 per cent fall in net profit for the January-December 2013 period.

It hit a 52-week high of ₹3,049 on Friday, before closing at ₹3,046.

Given the growth concerns in the medium-term, open offer provides a good exit opportunity, say most analysts covering the stock. The UK major has offered ₹3,100 a share to the shareholders of its Indian arm.

## Margin pressure

CLSA, which recommended a sell with a price target of ₹2,300, said GSK India's fourth quarter (ending December 2013) net sales declined 4 per cent due to decline in prices on y-o-y basis.

Price cuts due to implementation of the new drug pricing policy and steep rise in raw material and staff costs result-

ed in a 42 per cent year-on-year decline in operating profit.

"We expect continued margin pressure as these issues may continue to impact performance in the subsequent quarters," CLSA said.

IDFC Securities, which advised investors to participate in the ongoing open offer, said: "Glaxo is best placed among MNC pharma companies to leverage the intellectual property era given its large size, rich pipeline of vaccines and patented drugs, and strong parent backing." How-

ever, Glaxo's rich valuations and limited near-term triggers would cap the upside from here, it added.

## Limited upside

Macquarie, while maintaining a neutral stance on GSK Pharma, said: "We believe the current open offer price of ₹3,100/share is a good reflection of the long-term fundamentals of the Indian pharma market. Nonetheless, given pricing policy overhang and margin pressure, we believe the open offer price provides limited upside potential."

In case investors held the share for less than a year and opt to tender them in the open offer, they will have to pay short-term capital gains tax at the slab rate applicable to them. But, selling in the open market will attract only 15 per cent tax.

If investors have held the stock for over a year and wish to tender them in the open offer, they still have to pay long-term capital gains tax at 10 per cent. In contrast, if investors choose to sell them in the open market, they need not pay tax.

## NSE Fast track

	Open	High	Low	Close	Gain	Days		
						Gain	Loss	Net G/L
Nath Bio-Genes	39.30	60.75	39.30	60.75	21.45	9	0	9
Bai Pharma	25.10	35.10	25.10	36.10	11.00	9	0	9
L&T	992.75	1109.65	992.75	1109.65	116.90	9	0	9
JBM Auto	62.10	95.95	62.10	95.95	33.85	9	0	9
Tata Motors	388.80	416.95	386.60	416.95	28.15	8	1	7
ACC	1008.85	1104.90	1007.90	1104.90	96.05	8	1	7
HDFC LTD	770.70	819.30	770.70	819.30	48.60	8	1	7
Mahindra CIE	60.25	81.15	59.15	81.15	20.90	8	1	7
Emami	434.50	469.85	434.50	463.25	28.75	8	1	7
Glaxo Pharma	3013.40	3045.75	3009.25	3045.15	31.70	8	1	7
Prithvi Info	8.90	9.00	6.55	6.55	-2.35	1	8	-7
Coromandal Engg.	42.40	42.40	28.30	29.20	-13.20	1	8	-7
RelSix TenRetail	0.90	0.90	0.55	0.55	-0.35	0	7	-7
Core Education	17.65	17.65	14.95	14.95	-2.70	1	8	-7
Future Retail	41.75	41.75	35.05	35.05	-6.70	1	8	-7
Shriram EPC	27.90	27.90	25.05	25.05	-2.85	1	8	-7
Sundaram Multi	17.35	17.35	7.75	7.75	-9.60	0	8	-8
Innovative Ind	15.85	15.85	11.40	11.40	-4.45	0	9	-9
Future Mkt Netwk	12.85	12.85	9.50	9.50	-3.35	0	9	-9
Shree Rama Multi	5.10	5.10	3.20	3.20	-1.90	0	9	-9

Emami