

GSK Pharma

Estimate change



TP change



Rating change



CMP: INR2,018

TP: INR2,170 (+8%)

Neutral

Flagship brands/innovative products drive operational performance

Launch of cancer drugs on the cards in 1HFY26

- GlaxoSmithKline Pharmaceuticals (GLXO) delivered a better-than-expected performance in 3QFY25, largely driven by robust volume growth in the general medicine segment and a continued scale-up in vaccine offtake. Notably, GLXO strengthened its market share in top brands like Augmentin, Ceftum and T-bact. It also expanded its presence for its respiratory products.
- We raise our earnings estimates by 2%/5%/7% for FY25/FY26/FY27 to factor in a) differentiated launches in cancer therapy, b) scale-up of vaccine business, c) enhanced efforts to boost vaccine prospects. We value GLXO at 33x 12M forward earnings to arrive at a TP of INR2,170.
- Compared to a 9% EBITDA CAGR over FY22-24, we expect GLXO to deliver a 19% EBITDA CAGR over FY25-27, driven by niche launches, market share gain, and enhanced reach. In addition to vaccines, GLXO would also be introducing innovative drugs to treat endometrial and ovarian cancer. However, the current valuation captures the earnings upside. Maintain Neutral.

Product mix and improved productivity boost margins YoY

- Revenue grew 17.9% YoY to INR9.5b (est: INR8.5b).
- Gross margin (GM) contracted 150bp YoY to 62.2%, due to a change in the product mix.
- There was a one-off gain of INR90m in employee expenses due to lower incentives for some brands.
- Adjusting the one-off item, EBITDA margin expanded 270bp YoY to 29.7% (our est: 29.2%) due to lower employee expenses (down 350bp YoY as % of sales), offset by higher other expenses (up 230bp as a % of sales).
- EBITDA grew 29.8% YoY to INR2.8b (vs. est. of INR2.5b).
- Adj. PAT grew 5.7% YoY to INR2.2b for the quarter (our est. INR1.9b).
- For 9MFY25, revenue/EBITDA/PAT grew by 10%/28%/20% YoY to INR27.7b/INR8.4b/INR6.6b.

Key highlights from the management commentary

- GLXO would be launching two assets in the gynec cancer segment (endometrial cancer and ovarian cancer) in India in 1HFY26.
- It is implementing efforts to build an ecosystem for adult vaccination through educating healthcare practitioners.
- GLXO is making efforts to sustain EBITDA margin going forward.
- The company reported volume growth of 11% YoY and price hike of 3% YoY for 3QFY25 in the general medicine category.
- Paed Vaccines portfolio grew 14% YoY, led by Boostrix, Varilrix, and Havrix.
- Field productivity improved by 27% during 9MFY25.

Bloomberg	GLXO IN
Equity Shares (m)	169
M.Cap.(INRb)/(USDb)	341.9 / 3.9
52-Week Range (INR)	3074 / 1817
1, 6, 12 Rel. Per (%)	-2/-23/-11
12M Avg Val (INR M)	371

Financials & valuations(INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	37.5	41.6	46.6
EBITDA	11.1	12.9	14.8
Adj. PAT	8.7	10.0	11.7
EBIT Margin (%)	27.9	29.1	30.2
Cons. Adj. EPS (INR)	51.3	59.0	69.0
EPS Gr. (%)	18.4	15.1	16.9
BV/Sh. (INR)	128.9	160.3	201.7

Ratios

Net D:E	-0.5	-0.6	-0.7
RoE (%)	39.8	36.8	34.2
RoCE (%)	43.9	40.9	38.1
Payout (%)	56.3	48.9	41.9

Valuations

P/E (x)	39.5	34.3	29.4
EV/EBITDA (x)	30.1	25.6	21.9
Div. Yield (%)	1.2	1.2	1.2
FCF Yield (%)	1.3	2.8	3.2
EV/Sales (x)	8.9	7.9	6.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	75.0
DII	7.3	7.3	8.7
FII	4.5	4.4	2.9
Others	13.2	13.3	13.4

FII Includes depository receipts

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Qtr Perf. (Consol.)

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Chg.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	7,617	9,570	8,053	9,298	8,147	10,107	9,494	9,719	34,537	37,467	8,492	12%
YoY Change (%)	2.2	4.4	0.4	18.1	7.0	5.6	17.9	4.5	6.2	8.5	5.5	
Total Expenditure	6,178	6,675	5,872	6,725	5,841	6,891	6,665	6,930	25,450	26,326	6,012	
EBITDA	1,439	2,895	2,181	2,573	2,305	3,216	2,829	2,790	9,087	11,141	2,480	14%
YoY Change (%)	-3.4	12.7	-4.7	51.6	60.2	11.1	29.7	8.4	13.0	22.6	13.7	
Margins (%)	18.9	30.3	27.1	27.7	28.3	31.8	29.8	28.7	26.3	29.7	29.2	
Depreciation	164	181	171	181	164	169	188	175	697	696	178	
EBIT	1,276	2,714	2,010	2,392	2,141	3,048	2,641	2,615	8,390	10,445	2,302	
YoY Change (%)	-4.2	12.8	-5.3	56.8	67.9	12.3	31.4	9.3	13.6	24.5	14.5	
Margins (%)	16.7	28.4	25.0	25.7	26.3	30.2	27.8	26.9	24.3	27.9	27.1	
Interest	3	4	3	8	4	3	1	5	18	12	3	
Other Income	364	282	281	298	356	345	351	348	1,226	1,400	300	
PBT before EO Expense	1,637	2,992	2,287	2,682	2,494	3,391	2,991	2,958	9,598	11,833	2,599	
Tax	487	817	197	761	671	913	782	782	2,262	3,148	689	
Rate (%)	29.8	27.3	8.6	28.4	26.9	26.9	26.2	26.4	22.4	26.6	26.5	
Adjusted PAT	1,150	2,175	2,090	1,921	1,823	2,477	2,209	2,176	7,336	8,686	1,910	16%
YoY Change (%)	-1.1	12.5	18.8	56.1	58.6	13.9	5.7	13.3	20.5	18.4	-8.6	
Margins (%)	15.1	22.7	26.0	20.7	22.4	24.5	23.3	22.4	21.2	23.2	22.5	
One-off Expense/(Income)	-173	0	1,633	-24	0	-47	-90	0	1,436	-137	0	
Reported PAT	1,323	2,175	457	1,945	1,823	2,524	2,299	2,176	5,900	8,822	1,910	20%
Reported PAT incl disc operations	1,323	2,175	457	1,945	1,823	2,524	2,209	2,176	5,900	8,733	1,910	16%

KPIs (Consolidated)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Cost Break-up											
RM Cost (% of Sales)	38.9	37.0	39.3	39.5	36.2	38.0	37.8	37.7	38.6	37.5	37.7
Staff Cost (% of Sales)	21.7	15.2	17.6	18.6	18.6	14.9	14.1	15.6	18.1	15.7	17.3
Other Cost (% of Sales)	20.6	17.5	16.0	14.3	16.9	15.2	18.3	18.1	17.0	17.1	15.8
Gross Margins (%)	61.1	63.0	60.7	60.5	63.8	62.0	62.2	62.3	61.4	62.5	62.3
EBITDA Margins (%)	18.9	30.3	27.1	27.7	28.3	31.8	29.8	28.7	26.3	29.7	29.2
EBIT Margins (%)	16.7	28.4	25.0	25.7	26.3	30.2	27.8	26.9	24.3	27.9	27.1

E: MOFSL Estimates

Focus on brand building and expansion of adult vaccination program to drive growth

- GLXO is witnessing strong demand in its specialty portfolio, comprising Nucala, and Trelegy.
- It plans to continue to invest in building newer capabilities to improve reach and access for its specialty portfolio. It is focusing on launching more specialty products in the ovarian and endometrial cancer drugs in 1HFY26.
- Further GLXO has 16 drugs under clinical trials in India and plans to launch innovative products over the next 12-18 months.
- The company plans to drive operational efficiency and explore innovative solutions, including an omnichannel strategy, to expand reach and coverage to the target segments.
- Volume growth in generic business would be sustained going forward due to strong brand equity, improved MR productivity, and the launch of line extensions in big brands.
- The vaccine segment reported 15% YoY growth, driven by strong growth items like Boostrix, Variritix, and Fluarix. In addition, GLXO is intensifying its efforts to increase adult immunization through campaigns, awareness drives, and

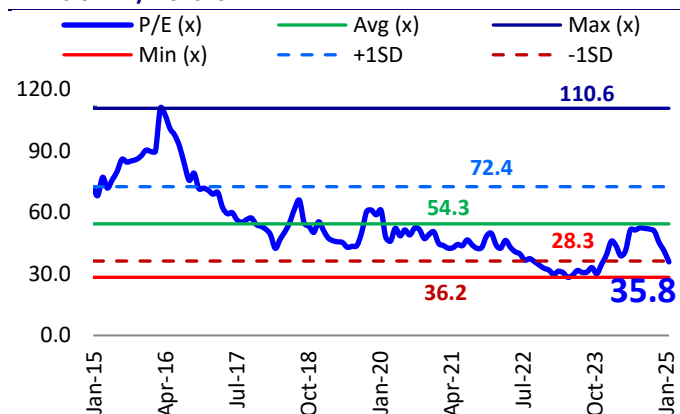
increasing touchpoints through medical practitioners and hospitals, which will propel Shingrix's growth.

- Accordingly, we expect an 11% revenue CAGR on overall basis to INR46.5b over FY25-27.

Reiterate Neutral

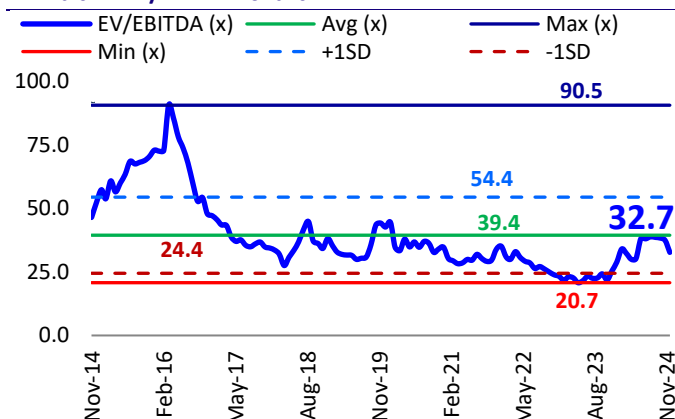
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Exhibit 1: P/E chart



Source: MOFSL, Company, Bloomberg

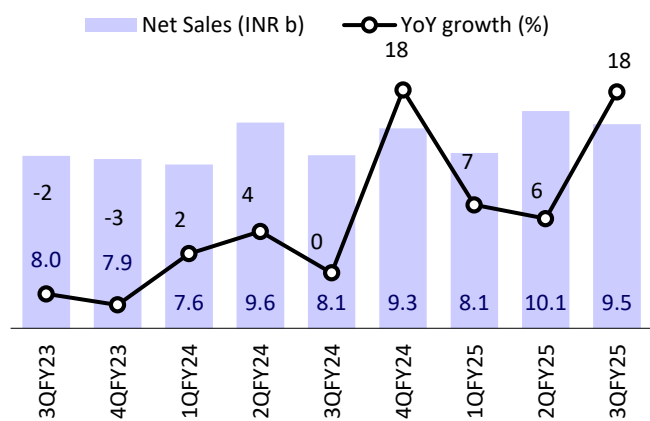
Exhibit 2: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

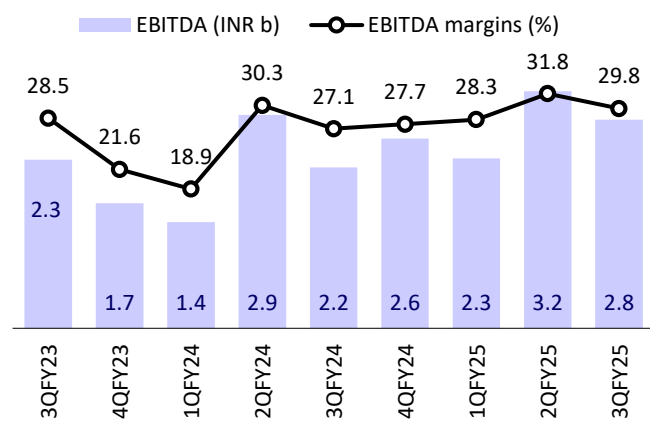
Story in charts

Exhibit 3: Sales grew 18% YoY in 3QFY25



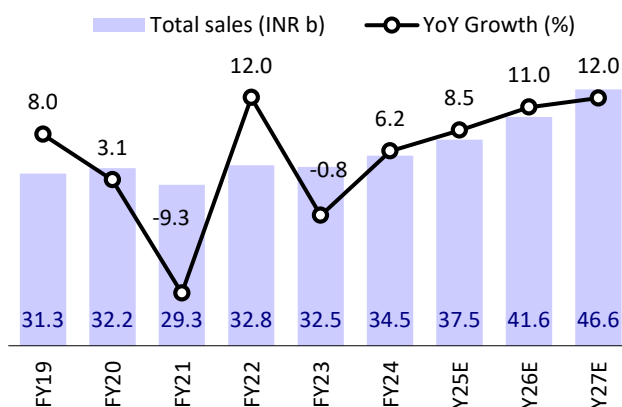
Source: Company, MOFSL

Exhibit 4: EBITDA margin improved 270bp YoY in 3QFY25



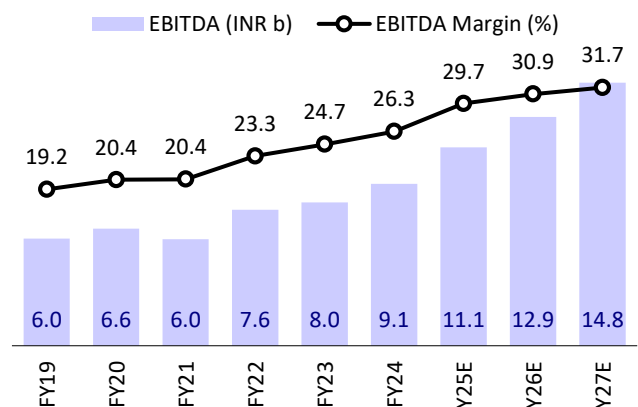
Source: Company, MOFSL

Exhibit 5: Revenue CAGR of 11% estimated over FY25-27



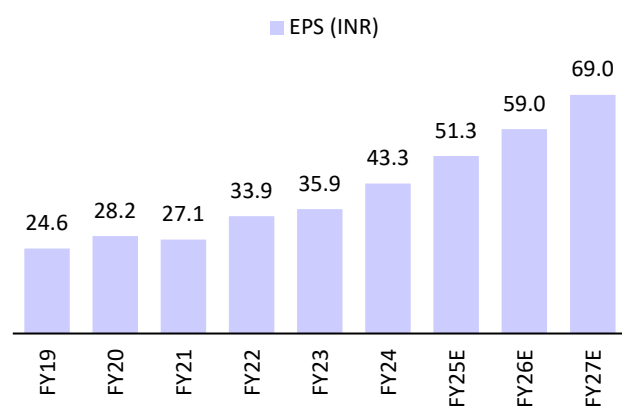
Source: Company, MOFSL

Exhibit 6: Expect margins to improve over FY25-27



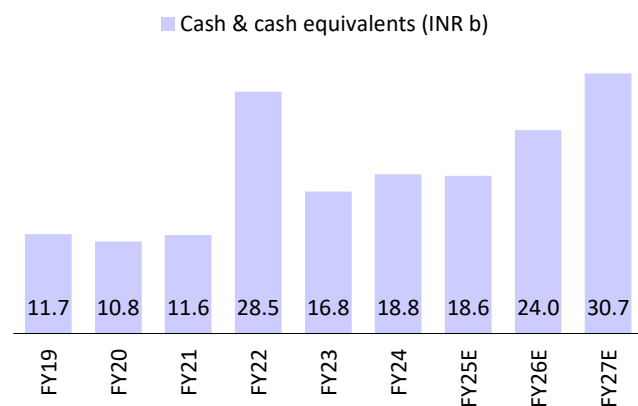
Source: Company, MOFSL

Exhibit 7: Earnings CAGR of ~16% estimated over FY25-27



Source: Company, MOFSL

Exhibit 8: Cash likely to be distributed to stakeholders



Source: Company, MOFSL

Financials and valuations

Income Statement

(INR m)

Y/E December	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	31,281	32,244	29,256	32,780	32,517	34,537	37,467	41,588	46,579
Change (%)	8.0	3.1	-9.3	12.0	-0.8	6.2	8.5	11.0	12.0
EBITDA	6,008	6,573	5,981	7,639	8,043	9,087	11,141	12,851	14,769
Change (%)	18.8	9.4	-9.0	27.7	5.3	13.0	22.6	15.3	14.9
Margin (%)	19.2	20.4	20.4	23.3	24.7	26.3	29.7	30.9	31.7
Depreciation	486	827	786	682	658	697	696	737	694
EBIT	5,522	5,746	5,195	6,957	7,385	8,390	10,445	12,113	14,075
Int. and Fin. Charges	6	63	35	20	18	18	12	12	11
Other Income - Rec.	1,023	790	1,106	758	1,007	1,226	1,400	1,450	1,520
PBT	6,540	6,472	6,266	7,695	8,374	9,598	11,833	13,551	15,584
Tax	2,373	1,698	1,667	1,953	2,288	2,262	3,148	3,550	3,896
Tax Rate (%)	36.3	26.2	26.6	25.4	27.3	23.6	26.6	26.2	25.0
Adj PAT	4,167	4,775	4,596	5,739	6,086	7,336	8,686	10,001	11,688
Change (%)	25.2	14.6	-3.8	24.9	6.0	20.5	18.4	15.1	16.9
One-off income (net of tax)	-21	-3,843	-1,726	116	10	-1,436	47	0	0
Reported PAT Before Disc. Operations	4,454	932	2,873	5,858	6,096	5,900	8,733	10,001	11,688

Balance Sheet

(INR m)

Y/E December	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1,694	1,694	1,694	1,694	1,694	1,694	1,694	1,694	1,694
Reserves	19,687	16,495	13,280	24,919	16,923	16,065	20,122	25,448	32,460
Capital Reserve	17	17	17	17	17	17	17	17	17
Net Worth	21,398	18,206	14,991	26,630	18,634	17,776	21,833	27,159	34,171
Loans	2	0	0	0	0	0	0	0	0
Capital Employed	21,400	18,206	14,991	26,630	18,634	17,777	21,834	27,159	34,171
Gross Block	5,590	10,190	6,740	7,740	8,740	8,131	8,631	9,131	9,631
Less: Accum. Deprn.	1,278	2,105	2,891	3,573	4,230	4,927	5,623	6,360	7,054
Net Fixed Assets	4,300	7,566	3,843	3,294	4,510	3,204	3,008	2,771	2,577
Capital WIP	10,026	1,201	132	305	203	139	139	139	139
Investments	17	15	14	3,668	5,194	8,141	8,141	8,141	8,141
Curr. Assets	24,148	21,469	26,114	37,934	23,245	22,619	25,824	33,228	43,130
Inventory	4,865	4,830	5,467	5,347	4,600	5,251	5,807	6,613	7,546
Account Receivables	1,205	998	2,156	2,052	1,924	2,221	2,435	2,870	3,493
Cash & Bank Balance	11,714	10,832	11,580	24,845	11,559	10,632	10,462	15,844	22,542
Others	6,364	4,808	6,911	5,689	5,162	4,516	7,119	7,902	9,549
Curr. Liability & Prov.	17,713	13,149	16,143	19,703	15,853	17,789	16,742	18,583	21,279
Account Payables	13,642	7,763	11,006	13,801	9,127	11,379	8,992	9,981	11,645
Provisions	4,071	5,386	5,137	5,902	6,726	6,410	7,750	8,602	9,634
Net Current Assets	6,435	8,319	9,971	18,231	7,392	4,830	9,082	14,644	21,851
Deferred Tax Assets	622	1105	1031	1132	1336	1462	1463	1463	1463
Appl. of Funds	21,400	18,206	14,991	26,630	18,634	17,776	21,834	27,159	34,171

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E December	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
EPS	24.6	28.2	27.1	33.9	35.9	43.3	51.3	59.0	69.0
Cash EPS	27.5	33.1	31.8	37.9	39.8	47.4	55.4	63.4	73.1
BV/Share	126.3	107.5	88.5	157.2	110.0	104.9	128.9	160.3	201.7
DPS	20.0	20.0	30.0	30.0	20.0	22.0	24.0	24.0	24.0
Payout (%)	97.9	85.4	133.1	106.6	67.0	61.1	56.3	48.9	41.9

Valuation

P/E	82.3	71.8	74.6	59.8	56.4	46.8	39.5	34.3	29.4
Cash P/E	73.7	61.2	63.7	53.4	50.9	42.7	36.6	31.9	27.7
P/BV	16.0	18.8	22.9	12.9	18.4	19.3	15.7	12.6	10.0
EV/Sales	10.9	10.6	11.7	9.9	10.4	9.7	8.9	7.9	6.9
EV/EBITDA	56.9	52.1	57.2	42.6	41.9	36.8	30.1	25.6	21.9
Dividend Yield (%)	1.0	1.0	1.5	1.5	1.0	1.1	1.2	1.2	1.2

Return Ratios (%)

RoE	19.5	26.2	30.7	21.6	32.7	41.3	39.8	36.8	34.2
RoCE	19.9	24.3	27.9	27.7	26.9	40.4	43.9	40.9	38.1

Working Capital Ratios

Fixed Asset Turnover (x)	8.3	5.4	5.1	9.2	8.3	9.0	12.1	14.4	17.4
Debtor (Days)	14	11	27	23	22	23	24	25	27
Inventory (Days)	57	55	68	60	52	55	57	58	59
Creditor days	159	88	137	154	102	120	88	88	91

Leverage Ratio

Debt/Equity	-0.5	-0.6	-0.8	-0.9	-0.6	-0.6	-0.5	-0.6	-0.7
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Cash Flow Statement

(INR m)

Y/E December	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Oper. Profit/(Loss) bef. Tax	5,987	2,730	4,255	7,755	8,053	9,087	11,141	12,851	14,769
Interest/Div. Recd.	1,023	790	1,106	758	1,007	1,226	1,400	1,450	1,520
Direct Taxes Paid	-1,958	-2,180	-1,594	-2,053	-2,491	-2,389	-3,149	-3,550	-3,896
(Inc)/Dec in WC	-619	-2,766	-904	5,006	-2,447	1,635	-4,422	-181	-508
CF from Operations	4,434	-1,427	2,864	11,465	4,121	9,559	4,970	10,569	11,885
EO expense	-21	-3,843	-1,726	116	10	0	0	0	0
CF frm Op. incl EO exp.	4,095	4,905	5,384	12,143	4,111	9,559	4,970	10,569	11,885
(inc)/dec in FA	-2,367	4,225	4,519	-1,173	-898	673	-500	-500	-500
Free Cash Flow	1,707	5,287	8,177	11,086	3,223	10,232	4,470	10,069	11,385
(Pur)/Sale of Investments	1	2	1	-3,655	-1,526	173	0	0	0
CF from investments	-1,535	-568	4,180	-4,055	-2,424	846	-500	-500	-500
Change in Equity capital	847	-	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-4	-2	0	0	0	0	0	0	0
Interest Paid	-6	-63	-35	-20	-18	-18	-12	-12	-11
Dividend Paid	-4,080	-4,078	-6,117	-6,117	-4,078	-4,486	-4,894	-4,894	-4,894
CF from Fin. Activity	-3,583	-4,276	-6,560	-9,278	-14,975	-6,774	-4,690	-4,690	-4,689
Inc/Dec of Cash	-1,023	60	3,004	-1,190	-13,287	3,631	-219	5,380	6,697
Add: Beginning Balance	2,011	988	1,048	4,052	2,862	-10,425	-6,794	-7,014	-1,634
Closing Balance	988	1,048	4,052	2,862	-10,425	-6,794	-7,014	-1,634	5,063
Bank balances other than cash	10,725	9,784	7,528	21,983	21,983	21,983	21,983	21,983	21,983
Closing Balance	11,714	10,832	11,580	24,845	11,559	10,632	10,462	15,844	22,542

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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