

GSK Pharma

Estimate change



TP change



Rating change



CMP: INR2,630

TP: INR2,800 (+6%)

Neutral

Specialty and vaccines drive earnings

Industry headwinds hurt performance of generic medicines

- Glaxo Pharma (GLXO) delivered better-than-expected 2QFY25 performance. The robust growth in the specialty and pediatric vaccine segments was offset by headwinds in the generic medicine segment.
- We raise our estimates by 4%/5%/4% for FY25/FY26/FY27 to factor in: 1) new launches in the oncology segment, b) superior show in the specialty segment, and c) better operating leverage. We value GLXO at 46x 12M forward earnings to arrive at our TP of INR2,800.
- In addition to robust traction in brands such as Nucala and Trilegy within the specialty segment, GLXO plans to expand its offerings in the specialty segment. However, industry-level growth hurdles in generic medicines are offsetting some benefits of the specialty segment. Considering 13% earnings CAGR over FY25-27, and expensive valuations of 47x/41x FY26/FY27 earnings, **we reiterate our Neutral rating on the stock.**

Operating leverage offsets segment mix and drives margins YoY/QoQ

- GLXO's revenue grew 5.6% YoY to INR10b (vs. est.: INR9.7b).
- In 2QFY25, GLXO posted 6% YoY volume growth and 1% price decline YoY.
- Gross margin (GM) dipped 100bp YoY at 62%, due to a change in product mix.
- EBITDA margin expanded 160bp YoY to 31.8% (our est: 26.1%) due to lower employee expenses/other costs (down 30bp/230bp YoY as % of sales).
- EBITDA grew 11.1% YoY to INR3.2b (vs. est. of INR3b).
- Adjusted for extraordinary income of INR47m for sale of residential property, PAT grew 13.9% YoY to INR2.5b for the quarter (our est. INR2.3b).
- In 1HFY25, GLXO's volume grew 5.5% YoY, with price hikes of 1.5% YoY.
- For 1HFY25, revenue/EBITDA/PAT grew 6%/27%/29% YoY to INR18b/INR5.5b/INR4.3b. We expect 6%/15%/5% YoY growth in Revenue/EBITDA/PAT in 2HFY25.

Key highlights from the management commentary

- The company will launch ovarian and endometrial cancer drugs in 2HFY25.
- Management expects that the growth momentum in pediatric vaccines will sustain in 2HFY25 as well, with 13% YoY growth in 1HFY25.
- The growth of acute therapies is slightly suppressed during the quarter.
- GLXO expects that the growth in 3QFY25 in the general medicine category would be higher due to seasonality and delayed monsoon.
- To increase the penetration of adult vaccination, the company is collaborating with private clinics and hospitals.
- During 1HFY25, field force productivity improved 22% YoY.

Bloomberg	GLXO IN
Equity Shares (m)	169
M.Cap.(INRb)/(USDb)	445.5 / 5.3
52-Week Range (INR)	3088 / 1385
1, 6, 12 Rel. Per (%)	4/16/55
12M Avg Val (INR M)	425

Financials & valuations(INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	36.7	40.3	44.6
EBITDA	11.0	12.3	13.8
Adj. PAT	8.5	9.5	10.9
EBIT Margin (%)	28.1	28.7	29.4
Cons. Adj. EPS (INR)	50.2	56.2	64.6
EPS Gr. (%)	15.9	12.1	14.9
BV/Sh. (INR)	127.8	156.4	193.4

Ratios

Net D:E	-0.5	-0.6	-0.6
RoE (%)	39.3	36.0	33.4
RoCE (%)	43.2	39.6	37.0
Payout (%)	57.6	51.4	44.7

Valuations

P/E (x)	52.3	46.7	40.6
EV/EBITDA (x)	30.5	26.8	23.5
Div. Yield (%)	0.9	0.9	0.9
FCF Yield (%)	1.2	2.7	3.0
EV/Sales (x)	9.1	8.2	7.3

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	75.0	75.0	75.0
DII	7.3	7.5	10.0
FII	4.4	4.0	2.5
Others	13.3	13.5	12.5

FII Includes depository receipts

Qtr Perf. (Consol.)

(INRm)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Chg.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	7,617	9,570	8,053	9,298	8,147	10,107	8,617	9,782	34,537	36,652	9,739	4%
YoY Change (%)	2.2	4.4	0.4	18.1	7.0	5.6	7.0	5.2	6.2	6.1	1.8	
Total Expenditure	6,178	6,675	5,872	6,725	5,841	6,891	6,101	6,833	25,450	25,666	6,739	
EBITDA	1,439	2,895	2,181	2,573	2,305	3,216	2,516	2,949	9,087	10,987	3,000	7%
YoY Change (%)	-3.4	12.7	-4.7	51.6	60.2	11.1	15.4	14.6	13.0	20.9	3.6	
Margins (%)	18.9	30.3	27.1	27.7	28.3	31.8	29.2	30.1	26.3	30.0	30.8	
Depreciation	164	181	171	181	164	169	178	185	697	696	180	
EBIT	1,276	2,714	2,010	2,392	2,141	3,048	2,338	2,764	8,390	10,291	2,820	
YoY Change (%)	-4.2	12.8	-5.3	56.8	67.9	12.3	16.4	15.6	13.6	22.7	3.9	
Margins (%)	16.7	28.4	25.0	25.7	26.3	30.2	27.1	28.3	24.3	28.1	29.0	
Interest	3	4	3	8	4	3	3	3	18	12	4	
Other Income	364	282	281	298	356	345	300	298	1,226	1,300	310	
PBT before EO Expense	1,637	2,992	2,287	2,682	2,494	3,391	2,635	3,059	9,598	11,579	3,126	
Tax	487	817	197	761	671	913	698	798	2,262	3,080	813	
Rate (%)	29.8	27.3	8.6	28.4	26.9	26.9	26.5	26.1	22.4	26.6	26.0	
Adjusted PAT	1,150	2,175	2,090	1,921	1,823	2,477	1,937	2,261	7,336	8,499	2,313	7%
YoY Change (%)	-1.1	12.5	18.8	56.1	58.6	13.9	-7.3	17.7	20.5	15.9	6.3	
Margins (%)	15.1	22.7	26.0	20.7	22.4	24.5	22.5	23.1	21.2	23.2	23.8	
One-off Expense/(Income)	-173	0	1,633	-24	0	-47	0	0	1,436	-47	0	
Reported PAT	1,323	2,175	457	1,945	1,823	2,524	1,937	2,261	5,900	8,546	2,313	9%
Reported PAT incl disc operations	1,323	2,175	457	1,945	1,823	2,524	1,937	2,261	5,900	8,546	2,313	9%

KPIs (Consolidated)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Cost Break-up											
RM Cost (% of Sales)	38.9	37.0	39.3	39.5	36.2	38.0	37.7	37.8	38.6	37.5	36.5
Staff Cost (% of Sales)	21.7	15.2	17.6	18.6	18.6	14.9	17.3	15.8	18.1	16.5	16.5
Other Cost (% of Sales)	20.6	17.5	16.0	14.3	16.9	15.2	15.8	16.2	17.0	16.0	16.2
Gross Margin (%)	61.1	63.0	60.7	60.5	63.8	62.0	62.3	62.2	61.4	62.5	63.5
EBITDA Margin (%)	18.9	30.3	27.1	27.7	28.3	31.8	29.2	30.1	26.3	30.0	30.8
EBIT Margin (%)	16.7	28.4	25.0	25.7	26.3	30.2	27.1	28.3	24.3	28.1	29.0

E: MOFSL Estimates

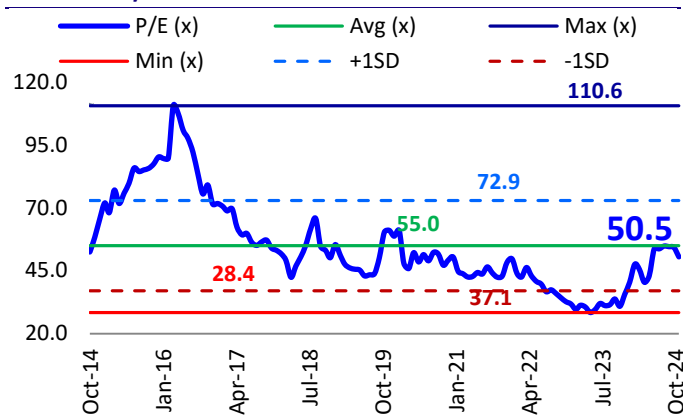
New launches/efforts on increasing penetration to drive growth

- GLXO is witnessing a strong demand in its specialty portfolio, comprising NNucala 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 by the end of FY25.
- It plans to drive operational efficiency and explore new innovative solutions, including an omnichannel strategy, to expand reach and coverage to the target segments. This led to a 26% YoY increase in direct touch points with doctors in 1HFY25.
- Further, the volume growth in generic business would sustain going forward due to strong brand equity, improved MR productivity, and the launch of line extensions in big brands.
- The vaccines segment reported 18% YoY growth, driven by double-digit growth items like Boostrix, Variritix, and Fluarix. In addition, GLXO is intensifying its efforts to increase adult immunization through campaigns and awareness drives, which will propel Shingrix's growth.
- Accordingly, we expect a 10% revenue CAGR to INR44.6b over FY25-27.

Reiterate Neutral

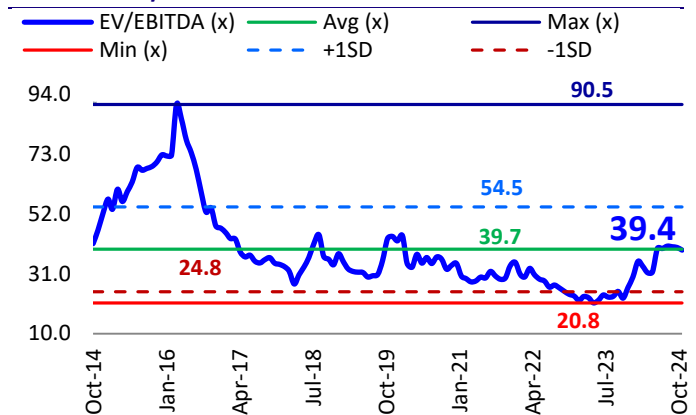
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Exhibit 1: P/E chart



Source: MOFSL, Company, Bloomberg

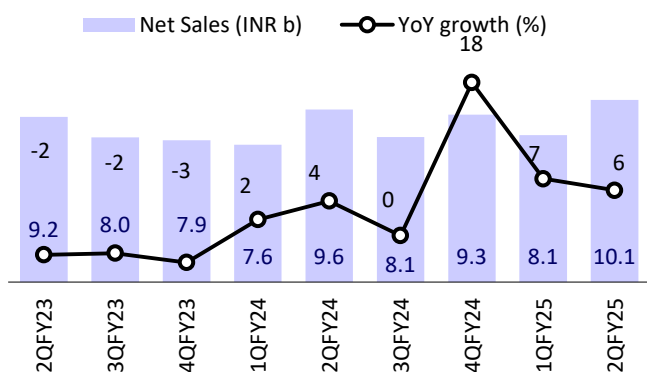
Exhibit 2: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

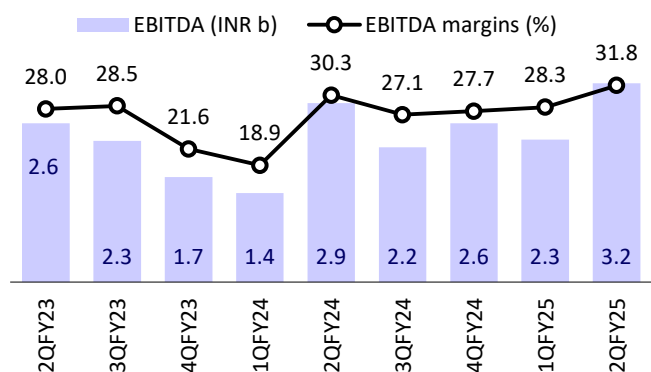
Story in charts

Exhibit 3: Sales grew 6% YoY in 2QFY25



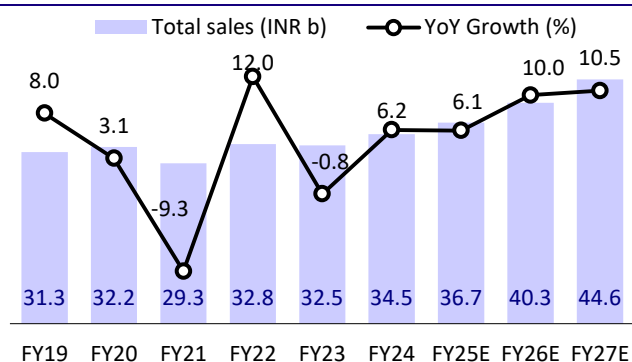
Source: Company, MOFSL

Exhibit 4: EBITDA margin improved 160bp YoY in 2QFY25



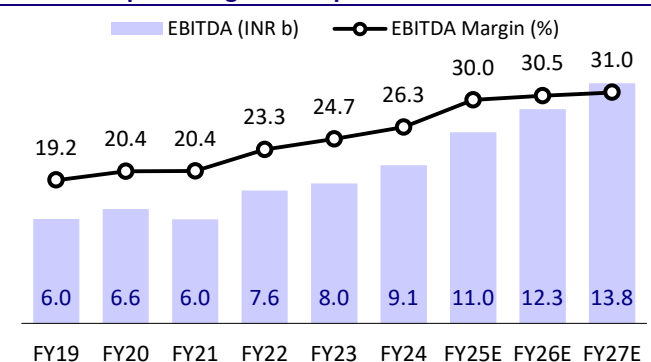
Source: Company, MOFSL

Exhibit 5: Revenue CAGR of 10.3% estimated over FY25-27



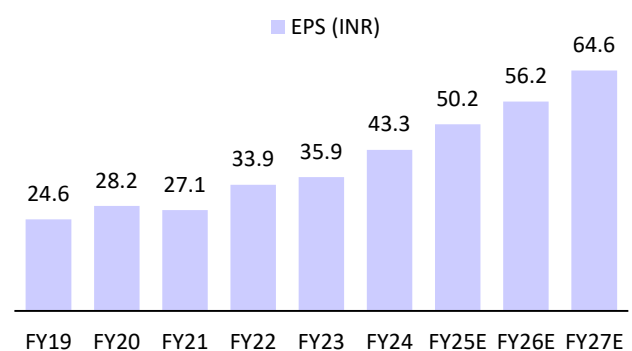
Source: Company, MOFSL

Exhibit 6: Expect margins to improve over FY25-27



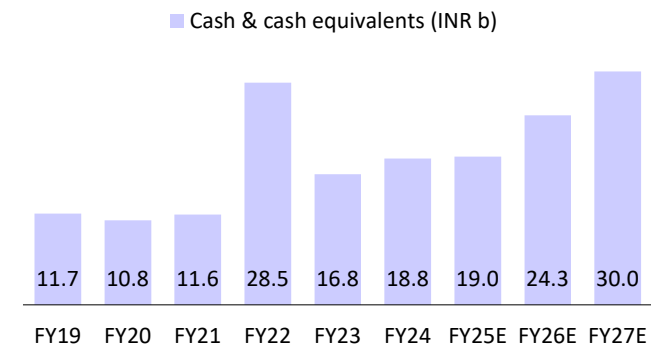
Source: Company, MOFSL

Exhibit 7: Earnings CAGR of ~13.5% 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	36,652	40,318	44,551
Change (%)	8.0	3.1	-9.3	12.0	-0.8	6.2	6.1	10.0	10.5
EBITDA	6,008	6,573	5,981	7,639	8,043	9,087	10,987	12,307	13,802
Change (%)	18.8	9.4	-9.0	27.7	5.3	13.0	20.9	12.0	12.1
Margin (%)	19.2	20.4	20.4	23.3	24.7	26.3	30.0	30.5	31.0
Depreciation	486	827	786	682	658	697	696	737	694
EBIT	5,522	5,746	5,195	6,957	7,385	8,390	10,291	11,570	13,108
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	1,300	1,350	1,500
PBT	6,540	6,472	6,266	7,695	8,374	9,598	11,579	12,908	14,597
Tax	2,373	1,698	1,667	1,953	2,288	2,262	3,080	3,382	3,649
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	8,499	9,526	10,948
Change (%)	25.2	14.6	-3.8	24.9	6.0	20.5	15.9	12.1	14.9
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	8,546	9,526	10,948

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	19,936	24,787	31,059
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	21,647	26,498	32,770
Loans	2	0	0	0	0	0	0	0	0
Capital Employed	21,400	18,206	14,991	26,630	18,634	17,777	21,647	26,498	32,770
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	25,273	31,999	40,803
Inventory	4,865	4,830	5,467	5,347	4,600	5,251	5,681	6,411	7,217
Account Receivables	1,205	998	2,156	2,052	1,924	2,221	2,382	2,782	3,341
Cash & Bank Balance	11,714	10,832	11,580	24,845	11,559	10,632	10,246	15,146	21,111
Others	6,364	4,808	6,911	5,689	5,162	4,516	6,964	7,660	9,133
Curr. Liability & Prov.	17,713	13,149	16,143	19,703	15,853	17,789	16,378	18,016	20,353
Account Payables	13,642	7,763	11,006	13,801	9,127	11,379	8,797	9,676	11,138
Provisions	4,071	5,386	5,137	5,902	6,726	6,410	7,581	8,339	9,215
Net Current Assets	6,435	8,319	9,971	18,231	7,392	4,830	8,896	13,983	20,450
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	21,647	26,498	32,770

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	50.2	56.2	64.6
Cash EPS	27.5	33.1	31.8	37.9	39.8	47.4	54.3	60.6	68.7
BV/Share	126.3	107.5	88.5	157.2	110.0	104.9	127.8	156.4	193.4
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	57.6	51.4	44.7

Valuation

P/E	106.7	93.1	96.8	77.5	73.1	60.6	52.3	46.7	40.6
Cash P/E	95.6	79.4	82.6	69.3	65.9	55.4	48.4	43.3	38.2
P/BV	20.8	24.4	29.7	16.7	23.9	25.0	20.5	16.8	13.6
EV/Sales	10.9	10.6	11.7	9.9	10.4	9.7	9.1	8.2	7.3
EV/EBITDA	56.9	52.1	57.2	42.6	41.9	36.8	30.5	26.8	23.5
Dividend Yield (%)	0.8	0.8	1.1	1.1	0.8	0.8	0.9	0.9	0.9

Return Ratios (%)

RoE	19.5	26.2	30.7	21.6	32.7	41.3	39.3	36.0	33.4
RoCE	19.9	24.3	27.9	27.7	26.9	40.4	43.2	39.6	37.0

Working Capital Ratios

Fixed Asset Turnover (x)	8.3	5.4	5.1	9.2	8.3	9.0	11.8	14.0	16.7
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	-0.6
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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	10,987	12,307	13,802
Interest/Div. Recd.	1,023	790	1,106	758	1,007	1,226	1,300	1,350	1,500
Direct Taxes Paid	-1,958	-2,180	-1,594	-2,053	-2,491	-2,389	-3,081	-3,382	-3,649
(Inc)/Dec in WC	-619	-2,766	-904	5,006	-2,447	1,635	-4,452	-188	-502
CF from Operations	4,434	-1,427	2,864	11,465	4,121	9,559	4,754	10,088	11,151
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	4,754	10,088	11,151
(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	4,254	9,588	10,651
(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	-436	4,898	5,963
Add: Beginning Balance	2,011	988	1,048	4,052	2,862	-10,425	-6,794	-7,230	-2,332
Closing Balance	988	1,048	4,052	2,862	-10,425	-6,794	-7,230	-2,332	3,631
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	10,246	15,146	21,111

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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

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