

GSK Pharma

Estimate change



TP change



Rating change



Bloomberg	GLXO IN
Equity Shares (m)	169
M.Cap.(INRb)/(USDb)	426.3 / 4.7
52-Week Range (INR)	3516 / 1968
1, 6, 12 Rel. Per (%)	5/-11/4
12M Avg Val (INR M)	488

Financials & valuations(INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	39.2	44.3	49.7
EBITDA	13.6	15.4	17.5
Adj. PAT	10.6	12.0	13.6
EBIT Margin (%)	32.7	33.0	33.7
Cons. Adj. EPS (INR)	62.6	70.8	80.4
EPS Gr. (%)	16.2	13.0	13.6
BV/Sh. (INR)	150.2	193.4	246.2

Ratios

Net D:E	-0.4	-0.6	-0.7
RoE (%)	41.7	36.6	32.7
RoCE (%)	47.2	41.2	36.6
Payout (%)	46.1	40.8	35.9

Valuations

P/E (x)	40.1	35.5	31.2
EV/EBITDA (x)	33.4	29.1	24.9
Div. Yield (%)	1.0	1.0	1.0
FCF Yield (%)	0.4	2.5	2.9
EV/Sales (x)	11.6	10.1	8.8

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	75.0	75.0	75.0
DII	7.7	7.8	7.3
FII	4.6	4.8	4.5
Others	12.7	12.5	13.2

FII Includes depository receipts

CMP: INR2,516

TP: INR2,700 (+7%)

Neutral

In-line revenue; highest quarterly EBITDA margin

Specialty portfolio adds optionality; upside limited

- GlaxoSmithKline Pharmaceuticals (GLXO) delivered in-line revenue for the quarter. It delivered slightly better-than-expected EBITDA/PAT in 3QFY26, led by a better product mix and improved operating leverage.
- GLXO achieved the highest-ever quarterly EBITDA margin of 36.8% in 3QFY26. This was driven partly by the resolution of supply constraints and improved MR productivity (+11% YoY).
- General medicines, forming 75-80% of the GLXO portfolio, grew 9% YoY, driven by the steady offtake of key brands (Augmentin, Ceftum, Calpol, Neosporin).
- Oncology products within the specialty segment are on a strong footing, supported by the addition of the RUBY-1 product and the scale-up of Zejula/Jemperli.
- Trelegy/Nucala is enhancing GLXO's positioning in the respiratory space.
- We raise our estimates by 5%/2%/2% for FY26/FY27/FY28, factoring in: a) the ease of supply constraints of certain raw materials related to general medicines, b) scale-up of the specialty portfolio, and c) better operating leverage.
- We value GLXO at 35x 12M forward earnings to arrive at a TP of INR2,700.
- GLXO is implementing efforts toward: a) gaining market share in legacy products, b) introducing new products from the parent portfolio, and c) enhancing marketing efforts to reach healthcare professionals through face-to-face (FTF) as well as digital channels. Overall, we expect a 13% earnings CAGR over FY26-28. Considering the limited upside from current levels, we reiterate our Neutral stance on the stock.

Operating leverage boosts earnings as margins expand sharply YoY

- Revenue increased 9.7% YoY to INR10.4b (est: INR10.5b).
- Gross margin (GM) expanded 290bp YoY to 65.1%.
- EBITDA margin expanded 700bp YoY to 36.8% (our est: 34.6%) due to lower other expenses (down 350bp YoY as a % of sales) and a cut in employee costs on a YoY basis (down 65bp YoY as a % of sales).
- EBITDA grew 35.4% YoY to INR3.8b (vs. est. of INR3.6b).
- Adjusted PAT grew 31% YoY to INR2.9b for the quarter.
- The exceptional item amounting to INR62m pertains to: a) profit on the sale of non-operational land site (INR179.8m), b) one-time employee expense due to changes in the labor code (INR118.2m).
- For 9MFY26, revenue/EBITDA/PAT grew 2%/16%/15%YoY.
- For 3QFY26, revenue missed BBG estimate by 1.5% YoY, and EBITDA/PAT beat BBG estimates by 7.8%/5.2%YoY.

Key highlights from the management commentary

- Supply disruption caused by the CMO fire normalized by mid-Nov, with supplies returning to normal levels from 4QFY26 onwards.
- Supply disruption led to ~3-4% impact on topline for 3QFY26.
- Management reiterated its guidance for the topline to reach INR80b over the next 4-5 years.
- The company's pipeline is focused on next-gen immuno-oncology ADCs, multiple myeloma therapies, RSV adult vaccines, and liver disease treatments.

Qtr Perf. (Consol.)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Chg. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		3QE		
Net Sales	8,147	10,107	9,494	9,743	8,052	9,799	10,413	10,920	37,491	39,184	10,529	-1%
YoY Change (%)	7.0	5.6	17.9	4.8	-1.2	-3.0	9.7	12.1	8.6	4.5	10.9	
Total Expenditure	5,841	6,891	6,665	6,412	5,541	6,442	6,581	7,054	25,809	25,618	6,886	
EBITDA	2,305	3,216	2,829	3,332	2,511	3,357	3,832	3,866	11,682	13,565	3,643	5%
YoY Change (%)	60.2	11.1	29.7	29.5	8.9	4.4	35.4	16.0	28.6	16.1	28.8	
Margins (%)	28.3	31.8	29.8	34.2	31.2	34.3	36.8	35.4	31.2	34.6	34.6	
Depreciation	164	169	188	147	155	174	203	207	668	740	197	
EBIT	2,141	3,048	2,641	3,184	2,356	3,183	3,628	3,658	11,014	12,826	3,447	
YoY Change (%)	67.9	12.3	31.4	33.1	10.0	4.4	37.4	14.9	31.3	16.4	30.5	
Margins (%)	26.3	30.2	27.8	32.7	29.3	32.5	34.8	33.5	29.4	32.7	32.7	
Interest	4	3	1	6	4	5	12	-9	13	12	2	
Other Income	356	345	351	407	437	336	321	550	1,459	1,644	300	
PBT before EO Expense	2,494	3,391	2,991	3,585	2,789	3,514	3,938	4,217	12,461	14,458	3,745	
Tax	671	913	782	957	740	965	1,043	1,097	3,323	3,844	992	
Rate (%)	26.9	26.9	26.2	26.7	26.5	27.5	26.5	26.0	26.7	26.6	26.5	
Adjusted PAT	1,823	2,477	2,209	2,628	2,049	2,549	2,895	3,121	9,138	10,613	2,752	5%
YoY Change (%)	58.6	13.9	5.7	36.8	12.4	2.9	31.1	18.7	24.6	16.2	24.6	
Margins (%)	22.4	24.5	23.3	27.0	25.5	26.0	27.8	28.6	24.4	27.1	26.1	
One-off Expense/(Income)	0	-47	-90	0	0	-26	-62	0	-137	-88	0	
Reported PAT	1,823	2,524	2,299	2,628	2,049	2,575	2,956	3,121	9,275	10,701	2,752	
Reported PAT incl disc operations	1,823	2,477	2,209	2,628	2,049	2,575	2,956	3,121	9,138	10,701	2,752	

E: MOFSL Estimates

KPIs (Consolidated)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		3QE	
Cost Break-up											
RM Cost (% of Sales)	36.2	38.0	37.8	36.1	35.7	36.3	34.9	35.3	37.1	35.5	35.80
Staff Cost (% of Sales)	18.6	14.9	14.1	15.7	19.0	14.1	13.5	13.8	15.7	14.8	13.80
Other Cost (% of Sales)	16.9	15.2	18.3	14.0	14.1	15.4	14.8	15.5	16.0	15.0	15.80
Gross Margins(%)	63.8	62.0	62.2	63.9	64.3	63.7	65.1	64.7	62.9	64.5	64.20
EBITDA Margins(%)	28.3	31.8	29.8	34.2	31.2	34.3	36.8	35.4	31.2	34.6	34.60
EBIT Margins(%)	26.3	30.2	27.8	32.7	29.3	32.5	34.8	33.5	29.4	32.7	32.73

E: MOFSL Estimates



Management call highlights

- Field force strength stood at 2,000 as of 9MFY26, with no plans for further additions in the near future.
- The company expanded its engagement in oncology and made steady progress in reaching patients with endometrial/recurrent ovarian cancer.
- The RUBY-1 trial establishes chemo-immunotherapy as the new first-line standard in endometrial cancer, with India approval expanding access and supporting adoption growth.
- Currently, 38% of the overall portfolio is under NLEM.

Supply issues transient, vaccines/specialty remain growth levers

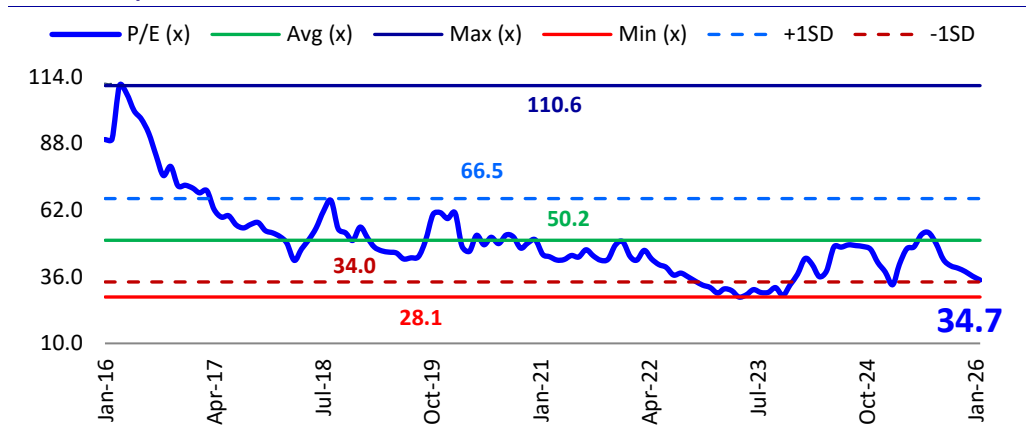
Supply recovery underway; pipeline and specialty scale-up support outlook

- DF sales increased 2%/9.7% YoY to INR28.2b/10.4b in 9MFY26/3QFY26. The performance was impacted by fire at the CMO plant, and was normalized by mid-Nov.
- For 3QFY26, the growth in general medicine was led by Augmentin/Ceftum/T-bact. The specialty portfolio was driven by oncology products. The vaccines portfolio was led by Boostrix, Varilrix, Havrix, and the continued performance of Shingrix.
- GSK's sales grew 11% YoY in 3QFY26 vs 4.5% YoY on a MAT basis as per IQVIA Dec'25.
- The outperformance in Vaccines/Anti-infectives drove growth, which was majorly offset by subdued growth in Derma.
- YoY growth was impacted by volume contraction and muted contribution from new launches, despite price-led growth in MAT Dec'25.
- The vaccines segment shows healthy traction, aided by deeper HCP reach, while specialty therapies such as oncology are expected to gain scale going forward.
- This shall be supported by a pipeline spanning next-gen immuno-oncology ADCs, multiple myeloma, RSV adult vaccines, and liver disease.
- We expect a 10% sales CAGR YoY, reaching INR49.7b over FY25-28.

Reiterate Neutral

- We raise our estimates by 5%/2%/2% for FY26/FY27/FY28, factoring in: a) ease of supply constraints of certain raw materials related to general medicines, b) scale-up of the specialty portfolio, and c) better operating leverage. We value GLXO at 35x 12M forward earnings to arrive at a TP of INR2,700.
- GLXO is implementing efforts toward: a) gaining market share in legacy products, b) introducing new products from the parent portfolio, and c) enhancing marketing efforts to reach healthcare professionals through FTF as well as digital channels. Overall, we expect a 13% earnings CAGR over FY26-28. Considering the limited upside from current levels, we reiterate our Neutral stance on the stock.

Exhibit 1: P/E chart



Story in charts

Exhibit 2: Sales grew 10% YoY in 3QFY26

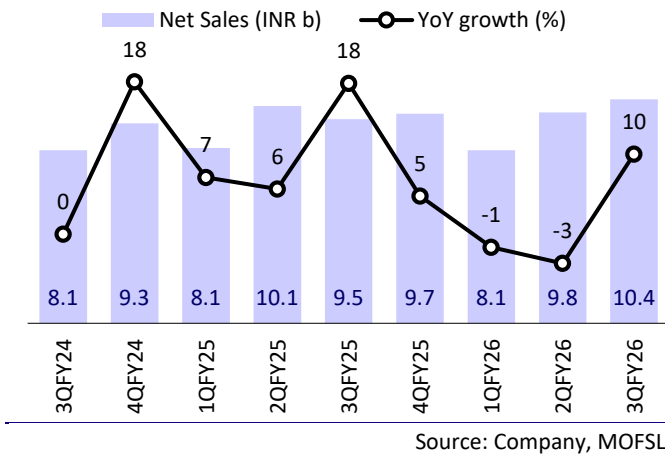


Exhibit 3: EBITDA margin expanded 700bp YoY in 3QFY26

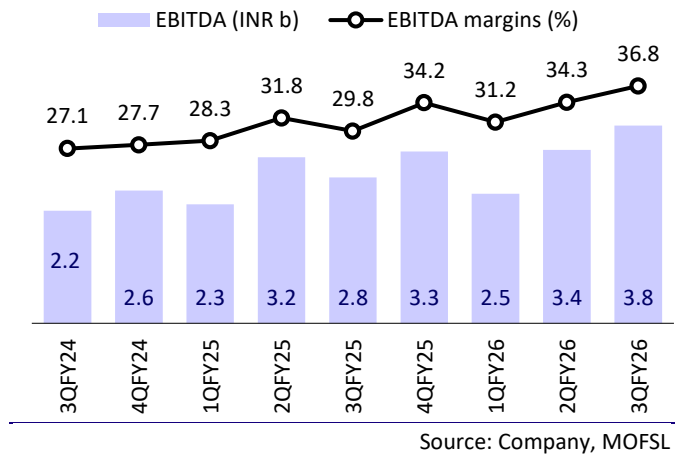


Exhibit 4: Revenue CAGR of ~10% estimated over FY25-28

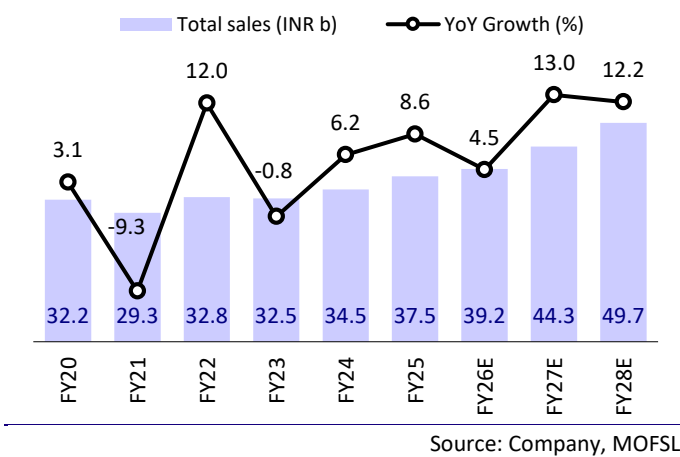


Exhibit 5: Expect margins to steadily improve over FY25-28

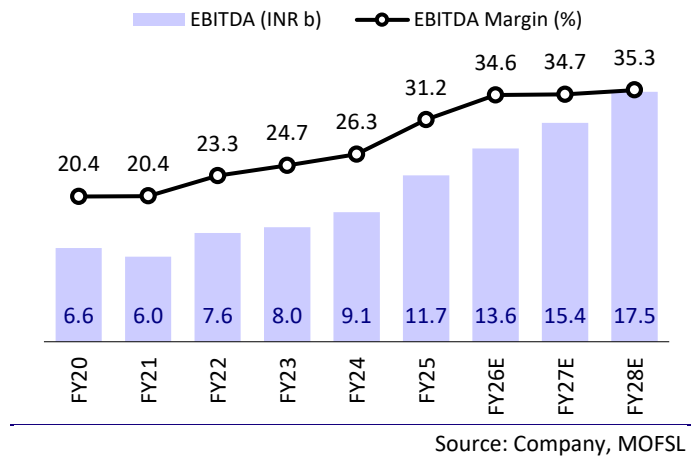


Exhibit 6: Earnings CAGR of ~14.2% estimated over FY25-28

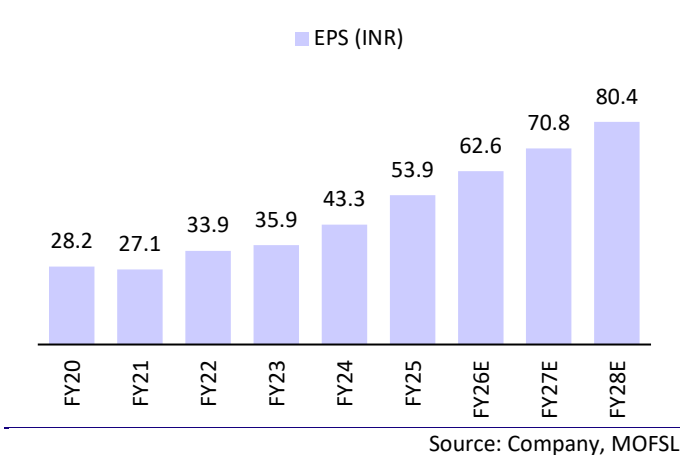
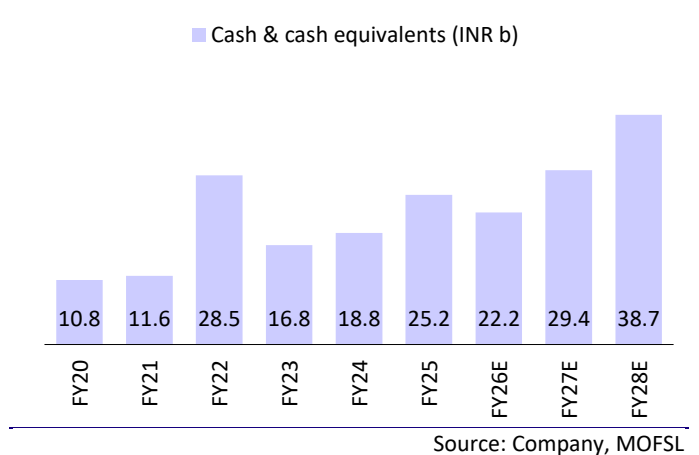


Exhibit 7: Cash and cash equivalents witness a healthy uptick



Financials and valuations

Income Statement							(INR m)
Y/E December	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	32,780	32,517	34,537	37,491	39,184	44,277	49,679
Change (%)	12.0	-0.8	6.2	8.6	4.5	13.0	12.2
EBITDA	7,639	8,043	9,087	11,682	13,565	15,370	17,543
Change (%)	27.7	5.3	13.0	28.6	16.1	13.3	14.1
Margin (%)	23.3	24.7	26.3	31.2	34.6	34.7	35.3
Depreciation	682	658	697	668	740	779	820
EBIT	6,957	7,385	8,390	11,014	12,826	14,591	16,723
Int. and Fin. Charges	20	18	18	13	12	11	11
Other Income - Rec.	758	1,007	1,226	1,459	1,644	1,520	1,570
PBT	7,695	8,374	9,598	12,461	14,458	16,100	18,282
Tax	1,953	2,288	2,262	3,323	3,844	4,106	4,662
Tax Rate (%)	25.4	27.3	23.6	26.7	26.6	25.5	25.5
Adj PAT	5,739	6,086	7,336	9,138	10,613	11,995	13,620
Change (%)	24.9	6.0	20.5	24.6	16.2	13.0	13.6
One-off income (net of tax)	116	10	-1,436	-137	-88	0	0
Reported PAT Before Disc. Operations	5,858	6,096	5,900	9,275	10,701	11,995	13,620

Balance Sheet							(INR m)
Y/E December	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	1,694	1,694	1,694	1,694	1,694	1,694	1,694
Reserves	24,919	16,923	16,065	17,802	23,740	31,059	40,003
Capital Reserve	17	17	17	17	17	17	17
Net Worth	26,630	18,634	17,776	19,513	25,451	32,770	41,715
Loans	0	0	0	0	0	0	0
Capital Employed	26,630	18,634	17,777	19,513	25,451	32,770	41,715
Gross Block	7,740	8,740	8,131	8,631	9,131	9,631	10,131
Less: Accum. Deprn.	3,573	4,230	4,927	5,595	6,334	7,113	7,933
Net Fixed Assets	3,294	4,510	3,204	3,036	2,796	2,517	2,197
Capital WIP	305	203	139	143	143	143	143
Investments	3,668	5,194	8,141	11,190	11,190	11,190	11,190
Curr. Assets	37,934	23,245	22,619	25,510	27,422	37,738	49,471
Inventory	5,347	4,600	5,251	4,817	6,230	7,173	8,048
Account Receivables	2,052	1,924	2,221	2,926	2,704	3,321	3,726
Cash & Bank Balance	24,845	11,559	10,632	14,035	11,043	18,168	27,513
Others	5,689	5,162	4,516	3,732	7,445	9,077	10,184
Curr. Liability & Prov.	19,703	15,853	17,789	21,775	17,509	20,228	22,696
Account Payables	13,801	9,127	11,379	14,913	9,404	11,069	12,420
Provisions	5,902	6,726	6,410	6,862	8,105	9,158	10,276
Net Current Assets	18,231	7,392	4,830	3,735	9,913	17,510	26,775
Deferred Tax Assets	1132	1336	1462	1409	1409	1409	1409
Appl. of Funds	26,630	18,634	17,776	19,513	25,451	32,770	41,715

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E December	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS	33.9	35.9	43.3	53.9	62.6	70.8	80.4
Cash EPS	37.9	39.8	47.4	57.9	67.0	75.4	85.2
BV/Share	157.2	110.0	104.9	115.2	150.2	193.4	246.2
DPS	30.0	20.0	22.0	24.0	24.0	24.0	24.0
Payout (%)	106.6	67.0	61.1	53.6	46.1	40.8	35.9

Valuation

P/E	74.1	69.9	58.0	46.6	40.1	35.5	31.2
Cash P/E	66.3	63.1	53.0	43.4	37.5	33.3	29.5
P/BV	16.0	22.8	23.9	21.8	16.7	13.0	10.2
EV/Sales	13.6	14.1	13.2	12.0	11.6	10.1	8.8
EV/EBITDA	58.6	57.1	50.3	38.6	33.4	29.1	24.9
Dividend Yield (%)	1.2	0.8	0.9	1.0	1.0	1.0	1.0

Return Ratios (%)

RoE	21.6	32.7	41.3	46.8	41.7	36.6	32.7
RoCE	27.7	26.9	40.4	49.1	47.2	41.2	36.6

Working Capital Ratios

Fixed Asset Turnover (x)	9.2	8.3	9.0	12.0	13.4	16.7	21.1
Debtor (Days)	23	22	23	28	25	27	27
Inventory (Days)	60	52	55	47	58	59	59
Creditor days	154	102	120	145	88	91	91

Leverage Ratio

Debt/Equity	-0.9	-0.6	-0.6	-0.7	-0.4	-0.6	-0.7
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Cash Flow Statement

(INR m)

Y/E December	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Oper. Profit/(Loss) bef. Tax	24,757	8,415	9,598	12,552	13,565	15,370	17,543
Interest/Div. Recd.	-692	-676	-657	-708	1,644	1,520	1,570
Direct Taxes Paid	-1,483	-2,715	-3,937	-817	-3,844	-4,106	-4,662
Others	-15,672	276	206	23			
(Inc)/Dec in WC	1,199	-457	610	1,848	-9,170	-473	80
CF from Operations	8,107	4,842	5,820	12,899	2,195	12,311	14,531
EO expense	-	-	0	0	0	0	0
CF frm Op. incl EO exp.	8,107	4,842	5,820	12,899	2,195	12,311	14,531
(inc)/dec in FA	15,279	-426	-285	-220	-500	-500	-500
Free Cash Flow	23,387	4,417	5,536	12,679	1,695	11,811	14,031
(Pur)/Sale of Investments	-3,653	-1,219	-2,668	-2,829	0	0	0
Others	-15,682	9,724	3,040	2,590			
CF from investments	-4,055	8,079	87	-458	-500	-500	-500
Change in Equity capital	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-312	-337	-363	0	0	0	0
Interest Paid	-20	-10	-18	-13	-12	-11	-11
Others	156	169	181	-187			
Dividend Paid	-5,066	-15,255	-5,416	-7,494	-4,894	-4,894	-4,894
CF from Fin. Activity	-5,242	-15,433	-5,615	-7,694	-4,778	-4,689	-4,689
Inc/Dec of Cash	-1,190	-2,513	292	4,747	-3,083	7,123	9,343
Add: Beginning Balance	4,052	2,862	349	642	5,388	2,306	9,429
Closing Balance	2,862	349	642	5,388	2,306	9,429	18,771
Bank balances other than cash	21,983	11,210	9,991	8,647	8,647	8,647	8,647
Closing Balance	24,845	11,559	10,632	14,035	11,043	18,168	27,513

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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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