

Estimate change	↓
TP change	↓
Rating change	↔

**CMP: INR2,937      TP: INR3,000 (+2%)      Neutral**

## Specialty gains offset by base portfolio headwinds

### Fire at CMO site further impacted supplies in the quarter

Bloomberg	GLXO IN
Equity Shares (m)	169
M.Cap.(INRb)/(USDb)	497.5 / 5.7
52-Week Range (INR)	3516 / 1921
1, 6, 12 Rel. Per (%)	-9/45/8
12M Avg Val (INR M)	528

- GlaxoSmithKline Pharmaceuticals (GLXO) delivered lower-than-expected revenue/EBITDA (8%/5% miss) in 1QFY26. However, PAT was in line with expectations due to higher other income. The quarterly performance was impacted by disruption from one of the suppliers.
- GLXO has been transforming its offerings in the domestic formulation (DF) segment through the addition of specialty products.
- It is gearing up for gynaec-onco launches in the near term. New products are innovative and exclusive from the GLXO basket, and the traction is expected to be promising over the medium term.
- With leadership in pediatric vaccines, GLXO is also implementing efforts to create considerable awareness for an adult vaccine (Shingrix).
- The general medicines category faced headwinds due to industry slowdown.
- We cut our estimates by 5%/2% for FY26/FY27, factoring in a) the adverse impact on supplies of certain drugs due to constraints at a CMO facility, and b) moderation of prospects in dermatology/respiratory covered markets. We value GLXO at 45x 12M forward earnings to arrive at a TP of INR3,000.
- We expect 12% earnings CAGR over FY25-27 for GLXO. While new launches are enhancing patient satisfaction and driving growth for GLXO, the base portfolio is affected by industry headwinds, keeping overall earnings growth in check. Maintain Neutral rating on the stock.

### Financials & valuations(INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	37.5	40.4	45.7
EBITDA	11.7	12.7	14.7
Adj. PAT	9.3	10.0	11.6
EBIT Margin (%)	29.4	29.5	30.6
Cons. Adj. EPS (INR)	54.7	58.8	68.6
EPS Gr. (%)	26.4	7.3	16.8
BV/Sh. (INR)	115.2	146.3	187.4

### Ratios

Net D:E	-0.7	-0.4	-0.5
RoE (%)	47.5	40.1	36.6
RoCE (%)	49.1	45.0	41.2
Payout (%)	52.8	49.2	42.1

### Valuations

P/E (x)	53.6	49.9	42.8
EV/EBITDA (x)	38.6	35.8	30.5
Div. Yield (%)	0.8	0.8	0.8
FCF Yield (%)	2.7	0.2	2.4
EV/Sales (x)	12.0	11.2	9.8

### Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	75.0	75.0	75.0
DII	7.7	7.8	7.5
FII	4.9	4.5	4.0
Others	12.4	12.7	13.5

FII Includes depository receipts

### Operational miss; earnings in line

- Revenue marginally dropped 1.2% YoY to INR8.1b (est: INR8.8b).
- Gross margin (GM) expanded 50bp YoY to 64.3%, as its key promoted brands gained market share and outpaced market growth.
- EBITDA margin expanded 290bp YoY to 31.2% (our est: 28.7%) due to a significant cut in other expenses and steady employee costs YoY (other expenses down 280bp YoY as a % of sales).
- EBITDA grew 9%YoY to INR2.5b (vs. est. of INR2.7b).
- PAT grew 12.4% YoY to INR2.1b (in line with our est. of INR2.1b).

### Key highlights from the management commentary

- The YoY growth for the quarter was impacted by supply constraints from one of the CMOs and weakness in anti-infectives/derma therapies.
- GLXO is launching oncology drugs (Jejula/Jemperli) in India market soon. About 20 key account managers have been appointed for promotional activities of these drugs.
- GLXO's vaccines portfolio saw 8.6% YoY growth in 1Q. In general medicines, there was no new introduction in the quarter.
- The company sells 9-10k Shingrix doses every month. GLXO can garner INR1b in sales on annual basis from this product.
- Volume declined 2% YoY in general medicine category for the quarter.
- Specifically, Calpol and nutritional supplements were impacted by a fire incident at one of the CMO sites.
- About 60% of the procurement is outsourced by GLXO for India business.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Qtr Perf. (Consol.)**

(INRm)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Chg. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Sales</b>	<b>8,147</b>	<b>10,107</b>	<b>9,494</b>	<b>9,743</b>	<b>8,052</b>	<b>10,675</b>	<b>10,825</b>	<b>10,853</b>	<b>37,491</b>	<b>40,404</b>	<b>8,798</b>	<b>-8%</b>
YoY Change (%)	7.0	5.6	17.9	4.8	-1.2	5.6	14.0	11.4	8.6	7.8	8.0	
Total Expenditure	5,841	6,891	6,665	6,412	5,541	7,323	7,458	7,402	25,809	27,724	6,141	
<b>EBITDA</b>	<b>2,305</b>	<b>3,216</b>	<b>2,829</b>	<b>3,332</b>	<b>2,511</b>	<b>3,352</b>	<b>3,366</b>	<b>3,451</b>	<b>11,682</b>	<b>12,681</b>	<b>2,657</b>	<b>-5%</b>
YoY Change (%)	60.2	11.1	29.7	29.5	8.9	4.2	19.0	3.6	28.6	8.5	15.3	
Margins (%)	28.3	31.8	29.8	34.2	31.2	31.4	31.1	31.8	31.2	31.4	30.2	
Depreciation	164	169	188	147	155	193	195	200	668	743	156	
<b>EBIT</b>	<b>2,141</b>	<b>3,048</b>	<b>2,641</b>	<b>3,184</b>	<b>2,356</b>	<b>3,159</b>	<b>3,171</b>	<b>3,251</b>	<b>11,014</b>	<b>11,937</b>	<b>2,501</b>	
YoY Change (%)	67.9	12.3	31.4	33.1	10.0	3.7	20.1	2.1	31.3	8.4	16.8	
Margins (%)	26.3	30.2	27.8	32.7	29.3	29.6	29.3	30.0	29.4	29.5	28.4	
Interest	4	3	1	6	4	3	2	3	13	12	5	
Other Income	356	345	351	407	437	300	300	550	1,459	1,587	300	
<b>PBT before EO Expense</b>	<b>2,494</b>	<b>3,391</b>	<b>2,991</b>	<b>3,585</b>	<b>2,789</b>	<b>3,456</b>	<b>3,469</b>	<b>3,798</b>	<b>12,461</b>	<b>13,512</b>	<b>2,796</b>	
Tax	671	913	782	957	740	912	919	987	3,323	3,559	749	
Rate (%)	26.9	26.9	26.2	26.7	26.5	26.4	26.5	26.0	26.7	26.3	26.8	
<b>Adjusted PAT</b>	<b>1,823</b>	<b>2,477</b>	<b>2,209</b>	<b>2,628</b>	<b>2,049</b>	<b>2,544</b>	<b>2,550</b>	<b>2,811</b>	<b>9,138</b>	<b>9,954</b>	<b>2,047</b>	<b>0%</b>
Margins (%)	22.4	24.5	23.3	27.0	25.5	23.8	23.6	25.9	24.4	24.6	23.3	
One-off Expense/(Income)	0	-47	-90	0	0	0	0	0	-137	0	0	
<b>Reported PAT</b>	<b>1,823</b>	<b>2,524</b>	<b>2,299</b>	<b>2,628</b>	<b>2,049</b>	<b>2,544</b>	<b>2,550</b>	<b>2,811</b>	<b>9,275</b>	<b>9,954</b>	<b>2,047</b>	<b>0%</b>
<b>Reported PAT incl disc operations</b>	<b>1,823</b>	<b>2,477</b>	<b>2,209</b>	<b>2,628</b>	<b>2,049</b>	<b>2,544</b>	<b>2,550</b>	<b>2,811</b>	<b>9,138</b>	<b>9,954</b>	<b>2,047</b>	<b>0%</b>

E: MOFSL Estimates:

**KPIs (Consolidated)**

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Chg. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Cost Break-up</b>												
RM Cost (% of Sales)	36.2	38.0	37.8	36.1	35.7	36.6	35.8	35.3	37.1	35.9	36.20	0.46
Staff Cost (% of Sales)	18.6	14.9	14.1	15.7	19.0	16.5	17.0	17.0	15.7	17.3	17.30	-1.65
Other Cost (% of Sales)	16.9	15.2	18.3	14.0	14.1	15.5	16.1	15.9	16.0	15.5	16.30	2.18
Gross Margins(%)	63.8	62.0	62.2	63.9	64.3	63.4	64.2	64.7	62.9	64.1	63.80	-0.46
EBITDA Margins(%)	28.3	31.8	29.8	34.2	31.2	31.4	31.1	31.8	31.2	31.4	30.20	-0.98
EBIT Margins(%)	26.3	30.2	27.8	32.7	29.3	29.6	29.3	30.0	29.4	29.5	28.43	-0.83

E: MOFSL Estimates



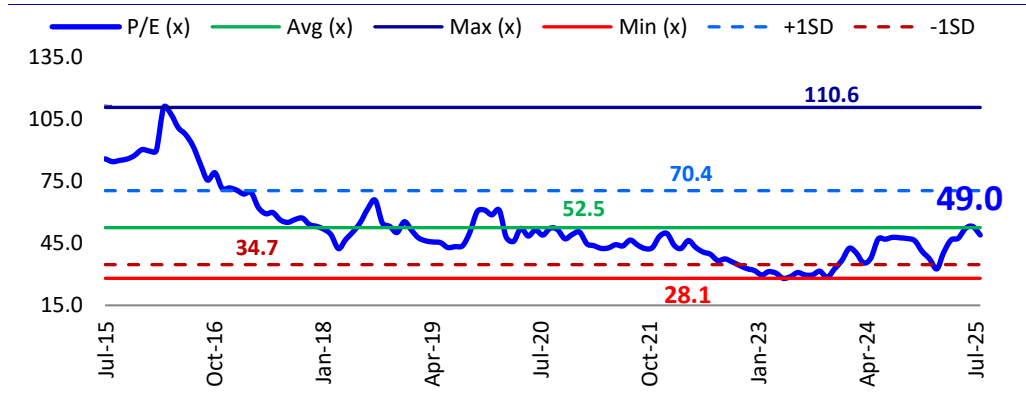
## Management call highlights

- A fire incident at a CMO facility affected volumes by 2%, especially for key brands like Eltroxin and Calpol, resulting in a 1% volume decline.
- GLXO expects to sustain vaccine business growth at 8-10% in the medium term.
- About 53k/20k new patients are diagnosed with ovarian/endometrial cancer every year in India. Out of these, GLXO is targeting 5k/1k patients to be treated by Zejula/Jemperli.
- The company has enhanced awareness about Shingrix through digital screening as well as refreshed in-clinic visibility. Shingrix witnessed 24% QoQ growth in Rx units in 1QFY26.
- General medicine category was impacted by softer-than-expected seasonality tailwinds and an increased pace of competition.
- Field productivity has been largely stable for GLXO.

## Reiterate Neutral

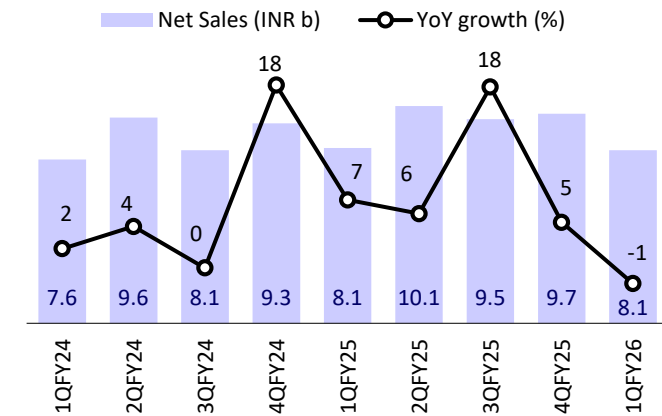
- We raise our earnings estimates by 5% each for FY26/FY27, factoring in 1) the higher benefit of marketing efforts in the vaccines segment and 2) the reorganization of operational costs.
- We value GLXO at 44x 12M forward earnings to arrive at a TP of INR3,040. Considering a 15% earnings CAGR over FY25-27 and priced-in valuation (45x FY26E/39x FY27E earnings), we reiterate our Neutral rating on the stock.

**Exhibit 1: P/E chart**



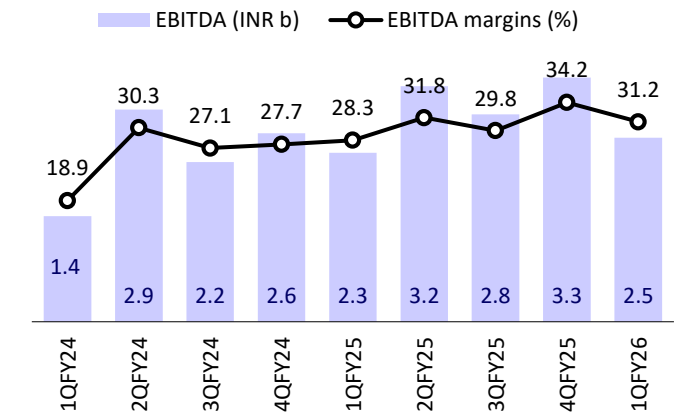
## Story in charts

**Exhibit 2: Sales declined 1% YoY in 1QFY26**



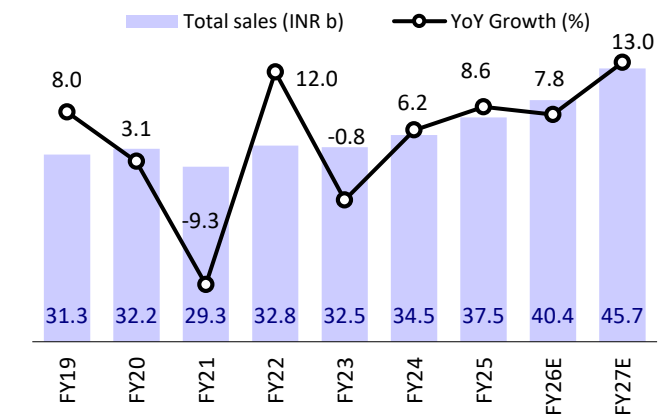
Source: Company, MOFSL

**Exhibit 3: EBITDA margin declined 300bp YoY in 1QFY26**



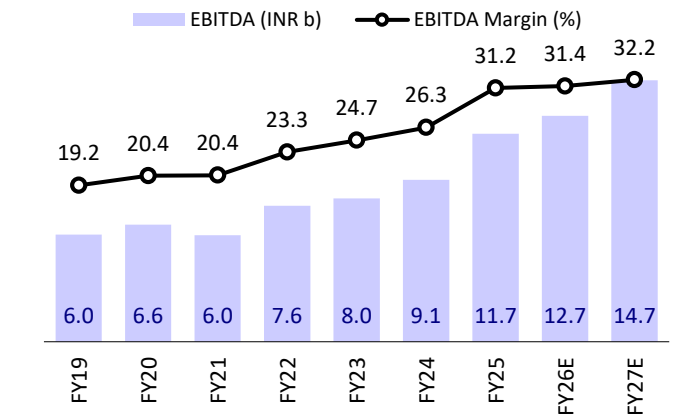
Source: Company, MOFSL

**Exhibit 4: Revenue CAGR of ~10% estimated over FY25-27**



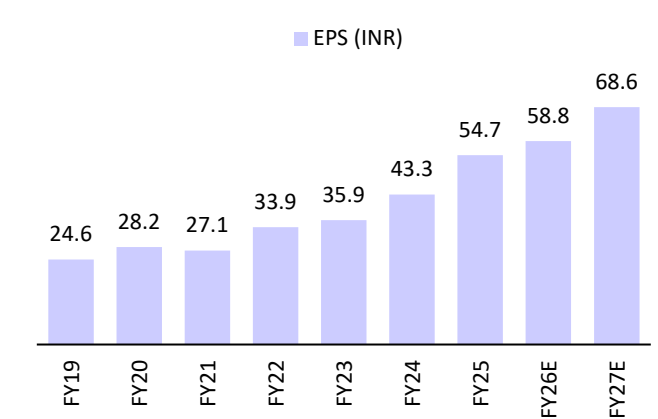
Source: Company, MOFSL

**Exhibit 5: Expect margins to steadily improve over FY25-27**



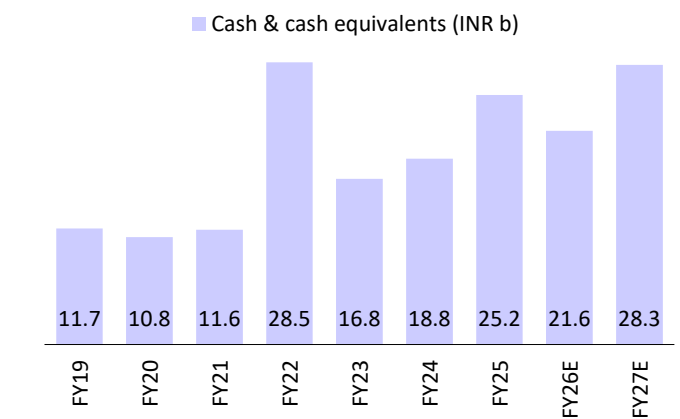
Source: Company, MOFSL

**Exhibit 6: Earnings CAGR of ~12% estimated over FY25-27**



Source: Company, MOFSL

**Exhibit 7: Cash and cash equivalents witness healthy uptick**



Source: Company, MOFSL

## Financials and valuations

Income Statement									(INR m)
Y/E December	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>31,281</b>	<b>32,244</b>	<b>29,256</b>	<b>32,780</b>	<b>32,517</b>	<b>34,537</b>	<b>37,491</b>	<b>40,404</b>	<b>45,657</b>
Change (%)	8.0	3.1	-9.3	12.0	-0.8	6.2	8.6	7.8	13.0
<b>EBITDA</b>	<b>6,008</b>	<b>6,573</b>	<b>5,981</b>	<b>7,639</b>	<b>8,043</b>	<b>9,087</b>	<b>11,682</b>	<b>12,681</b>	<b>14,685</b>
Change (%)	18.8	9.4	-9.0	27.7	5.3	13.0	28.6	8.5	15.8
Margin (%)	19.2	20.4	20.4	23.3	24.7	26.3	31.2	31.4	32.2
Depreciation	486	827	786	682	658	697	668	743	694
<b>EBIT</b>	<b>5,522</b>	<b>5,746</b>	<b>5,195</b>	<b>6,957</b>	<b>7,385</b>	<b>8,390</b>	<b>11,014</b>	<b>11,937</b>	<b>13,991</b>
Int. and Fin. Charges	6	63	35	20	18	18	13	12	11
Other Income - Rec.	1,023	790	1,106	758	1,007	1,226	1,459	1,587	1,520
<b>PBT</b>	<b>6,540</b>	<b>6,472</b>	<b>6,266</b>	<b>7,695</b>	<b>8,374</b>	<b>9,598</b>	<b>12,461</b>	<b>13,512</b>	<b>15,500</b>
Tax	2,373	1,698	1,667	1,953	2,288	2,262	3,323	3,559	3,875
Tax Rate (%)	36.3	26.2	26.6	25.4	27.3	23.6	26.7	26.3	25.0
<b>Adj PAT</b>	<b>4,167</b>	<b>4,775</b>	<b>4,596</b>	<b>5,739</b>	<b>6,086</b>	<b>7,336</b>	<b>9,275</b>	<b>9,954</b>	<b>11,625</b>
Change (%)	25.2	14.6	-3.8	24.9	6.0	20.5	26.4	7.3	16.8
One-off income (net of tax)	-21	-3,843	-1,726	116	10	-1,436	-137	0	0
<b>Reported PAT Before Disc. Operations</b>	<b>4,454</b>	<b>932</b>	<b>2,873</b>	<b>5,858</b>	<b>6,096</b>	<b>5,900</b>	<b>9,138</b>	<b>9,954</b>	<b>11,625</b>

Balance Sheet									(INR m)
Y/E December	FY19	FY20	FY21	FY22	FY23	FY24	FY25	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	17,802	23,080	30,030
Capital Reserve	17	17	17	17	17	17	17	17	17
<b>Net Worth</b>	<b>21,398</b>	<b>18,206</b>	<b>14,991</b>	<b>26,630</b>	<b>18,634</b>	<b>17,776</b>	<b>19,513</b>	<b>24,791</b>	<b>31,741</b>
Loans	2	0	0	0	0	0	0	0	0
<b>Capital Employed</b>	<b>21,400</b>	<b>18,206</b>	<b>14,991</b>	<b>26,630</b>	<b>18,634</b>	<b>17,777</b>	<b>19,513</b>	<b>24,791</b>	<b>31,741</b>
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	5,595	6,338	7,032
<b>Net Fixed Assets</b>	<b>4,300</b>	<b>7,566</b>	<b>3,843</b>	<b>3,294</b>	<b>4,510</b>	<b>3,204</b>	<b>3,036</b>	<b>2,793</b>	<b>2,598</b>
Capital WIP	10,026	1,201	132	305	203	139	143	143	143
Investments	17	15	14	3,668	5,194	8,141	11,190	11,190	11,190
<b>Curr. Assets</b>	<b>24,148</b>	<b>21,469</b>	<b>26,114</b>	<b>37,934</b>	<b>23,245</b>	<b>22,619</b>	<b>25,510</b>	<b>27,311</b>	<b>37,258</b>
Inventory	4,865	4,830	5,467	5,347	4,600	5,251	4,817	6,424	7,396
Account Receivables	1,205	998	2,156	2,052	1,924	2,221	2,926	2,788	3,424
Cash & Bank Balance	11,714	10,832	11,580	24,845	11,559	10,632	14,035	10,422	17,078
Others	6,364	4,808	6,911	5,689	5,162	4,516	3,732	7,677	9,360
<b>Curr. Liability &amp; Prov.</b>	<b>17,713</b>	<b>13,149</b>	<b>16,143</b>	<b>19,703</b>	<b>15,853</b>	<b>17,789</b>	<b>21,775</b>	<b>18,054</b>	<b>20,858</b>
Account Payables	13,642	7,763	11,006	13,801	9,127	11,379	14,913	9,697	11,414
Provisions	4,071	5,386	5,137	5,902	6,726	6,410	6,862	8,357	9,444
<b>Net Current Assets</b>	<b>6,435</b>	<b>8,319</b>	<b>9,971</b>	<b>18,231</b>	<b>7,392</b>	<b>4,830</b>	<b>3,735</b>	<b>9,256</b>	<b>16,400</b>
Deferred Tax Assets	622	1,105	1,031	1,132	1,336	1,462	1,409	1,409	1,409
<b>Appl. of Funds</b>	<b>21,400</b>	<b>18,206</b>	<b>14,991</b>	<b>26,630</b>	<b>18,634</b>	<b>17,776</b>	<b>19,513</b>	<b>24,791</b>	<b>31,741</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E December	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>EPS</b>	<b>24.6</b>	<b>28.2</b>	<b>27.1</b>	<b>33.9</b>	<b>35.9</b>	<b>43.3</b>	<b>54.7</b>	<b>58.8</b>	<b>68.6</b>
Cash EPS	27.5	33.1	31.8	37.9	39.8	47.4	58.7	63.1	72.7
BV/Share	126.3	107.5	88.5	157.2	110.0	104.9	115.2	146.3	187.4
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	52.8	49.2	42.1

### Valuation

P/E	119.3	104.1	108.2	86.6	81.7	67.8	53.6	49.9	42.8
Cash P/E	106.8	88.7	92.4	77.4	73.7	61.9	50.0	46.5	40.3
P/BV	23.2	27.3	33.2	18.7	26.7	28.0	25.5	20.0	15.7
EV/Sales	14.8	14.4	15.9	13.6	14.1	13.2	12.0	11.2	9.8
EV/EBITDA	77.3	70.8	77.6	58.6	57.1	50.3	38.6	35.8	30.5
Dividend Yield (%)	0.7	0.7	1.0	1.0	0.7	0.7	0.8	0.8	0.8

### Return Ratios (%)

RoE	19.5	26.2	30.7	21.6	32.7	41.3	47.5	40.1	36.6
RoCE	19.9	24.3	27.9	27.7	26.9	40.4	49.1	45.0	41.2

### Working Capital Ratios

Fixed Asset Turnover (x)	8.3	5.4	5.1	9.2	8.3	9.0	12.0	13.9	16.9
Debtor (Days)	14	11	27	23	22	23	28	25	27
Inventory (Days)	57	55	68	60	52	55	47	58	59
Creditor days	159	88	137	154	102	120	145	88	91

### Leverage Ratio

Debt/Equity	-0.5	-0.6	-0.8	-0.9	-0.6	-0.6	-0.7	-0.4	-0.5
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### Cash Flow Statement

(INR m)

Y/E December	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Oper. Profit/(Loss) bef. Tax	5,987	2,730	7,231	24,757	8,415	9,598	12,552	12,681	14,685
Interest/Div. Recd.	1,023	790	-1,070	-692	-676	-657	-708	1,587	1,520
Direct Taxes Paid	-1,958	-2,180	-1,653	-1,483	-2,715	-3,937	-817	-3,559	-3,875
Others			814	-15,672	276	206	23		
(Inc)/Dec in WC	-619	-2,766	458	1,199	-457	610	1,848	-9,135	-488
<b>CF from Operations</b>	<b>4,434</b>	<b>-1,427</b>	<b>5,779</b>	<b>8,107</b>	<b>4,842</b>	<b>5,820</b>	<b>12,899</b>	<b>1,574</b>	<b>11,843</b>
EO expense	-21	-3,843	-	-	-	0	0	0	0
<b>CF frm Op. incl EO exp.</b>	<b>4,095</b>	<b>4,905</b>	<b>5,779</b>	<b>8,107</b>	<b>4,842</b>	<b>5,820</b>	<b>12,899</b>	<b>1,574</b>	<b>11,843</b>
(inc)/dec in FA	-2,367	4,225	-436	15,279	-426	-285	-220	-500	-500
<b>Free Cash Flow</b>	<b>1,707</b>	<b>5,287</b>	<b>5,344</b>	<b>23,387</b>	<b>4,417</b>	<b>5,536</b>	<b>12,679</b>	<b>1,074</b>	<b>11,343</b>
(Pur)/Sale of Investments	1	2	0	-3,653	-1,219	-2,668	-2,829	0	0
Others			4,616	-15,682	9,724	3,040	2,590		
<b>CF from investments</b>	<b>-1,535</b>	<b>-568</b>	<b>4,180</b>	<b>-4,055</b>	<b>8,079</b>	<b>87</b>	<b>-458</b>	<b>-500</b>	<b>-500</b>
Change in Equity capital	847	-	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-4	-2	-298	-312	-337	-363	0	0	0
Interest Paid	-6	-63	-35	-20	-10	-18	-13	-12	-11
Dividend Paid	-4,080	-4,078	-6,770	-5,066	-15,255	-5,416	-7,494	-4,894	-4,894
<b>CF from Fin. Activity</b>	<b>-3,583</b>	<b>-4,276</b>	<b>-6,956</b>	<b>-5,242</b>	<b>-15,433</b>	<b>-5,615</b>	<b>-7,694</b>	<b>-4,690</b>	<b>-4,689</b>
<b>Inc/Dec of Cash</b>	<b>-1,023</b>	<b>60</b>	<b>3,004</b>	<b>-1,190</b>	<b>-2,513</b>	<b>292</b>	<b>4,747</b>	<b>-3,616</b>	<b>6,654</b>
Add: Beginning Balance	2,011	988	1,048	4,052	2,862	349	642	5,388	1,773
<b>Closing Balance</b>	<b>988</b>	<b>1,048</b>	<b>4,052</b>	<b>2,862</b>	<b>349</b>	<b>642</b>	<b>5,388</b>	<b>1,773</b>	<b>8,427</b>
Bank balances other than cash	10,725	9,784	7,528	21,983	11,210	9,991	8,647	8,647	8,647
<b>Closing Balance</b>	<b>11,714</b>	<b>10,832</b>	<b>11,580</b>	<b>24,845</b>	<b>11,559</b>	<b>10,632</b>	<b>14,035</b>	<b>10,422</b>	<b>17,078</b>

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Explanation of Investment Rating	
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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