

Price: 2,863

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 03-Apr-2025

GlaxoSmithKline Pharmaceuticals Limited (GSK) is committed to growth through strategic initiatives in general medicines, vaccines, and specialty medicines. The company has achieved higher-than-market growth, particularly in pediatric vaccines and innovative assets like Nucala. GSK is expanding in adult vaccination, focusing on Shingles awareness, and is investing in oncology and specialty respiratory areas. Despite challenges, GSK's financial health and strategic direction position it for future success.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3668 Cr	Operating Profit(Year)	1094 Cr	Operating Profit Margin	29.8 %
Previous Year	3216 Cr	Operating Profit(Quarter)	290 Cr	EBITDA Margin	26.55 %
Current Quarter	946 Cr	PAT (Year)	651 Cr	Net Profit Margin	19.1 %
Previous Quarter	1000 Cr	PAT (Quarter)	229 Cr	EPS	50.3
Revenue (QYoY)	805 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	57.3	Sales Growth	11.9 %	Sales Growth	-5.4 %
PEG Ratio	6.29	PAT Growth	10.9 %	Sales Growth QYoY	17.52 %
EV/EBITDA	38.6	EPS Growth	45.8 %	PAT Growth	-6.53 %
P/B	29.0	Dividend Yield	1.12	PAT Growth QYoY	29.38 %
Capital Allocation		Holdings		Leverage	
RoE	36.8 %	Promoter	75.0 %	Debt/Equity	0.01
RoA	18.9 %	FII	4.50 %	Debt	14.8 Cr
RoCE	50.7 %	DII	7.30 %	Market Cap	48500 Cr
RoIC	84.4 %	Public	13.2 %	Enterprise value	47416 Cr
		No of Shares	16.9 Cr	Cash Equivalents	1099 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, GlaxoSmithKline Pharmaceuticals Limited (GSK) highlighted several strategic initiatives and business strategies aimed at sustaining growth and expanding their market presence. The company emphasized its commitment to delivering competitive performance, focusing on general medicines, vaccines, and specialty medicines. A key highlight was the strong performance of their general medicines portfolio, which recorded a higher-than-market growth, driven by brands that have shown significant volume growth. The pediatric vaccines business also maintained its leadership in the self-paid private market, with consistent market share gains over the last four quarters. GSK's renewed commitment to innovative assets in India was underscored by the growth of key brands like Nucala and the single inhalation triple therapy, both of which have shown robust month-on-month growth.

GSK is actively pursuing new growth platforms, particularly in adult vaccination, with a focus on Shingles awareness. The company has launched innovative campaigns to educate consumers about Shingles prevention, utilizing both traditional and digital media. This initiative is part of GSK's broader strategy to build an adult vaccination ecosystem in India, a market where such infrastructure is currently underdeveloped. The management reiterated their focus on delivering top-line growth and shareholder returns, supported by a strong financial performance. Revenue grew by 18%, with all business segments achieving double-digit growth. The EBITDA margin improved significantly, reflecting enhanced operational efficiencies and a strong cash position.

Looking ahead, GSK is focused on sustaining growth momentum through strategic investments in oncology and specialty respiratory areas. The company is conducting 16 global clinical trials in India, which will facilitate faster access to new assets. GSK plans to launch two new oncology assets in the coming quarters, targeting gynecological malignancies. The management is optimistic about the potential of these new products to drive growth, alongside existing brands like Trelegy and Nucala, which are critical to their performance in the coming years. The company is also exploring inorganic growth opportunities and in-licensing to expand its product pipeline.

While GSK's strategic initiatives and financial performance are commendable, there are areas for improvement. The company faces challenges in building the adult vaccination ecosystem, which requires significant investment and patience. Additionally, the competitive landscape in the pharmaceutical market necessitates continuous innovation and portfolio diversification to maintain market leadership. GSK's focus on digital acceleration and optimizing field force interactions with healthcare practitioners is a positive step, but further efforts are needed to enhance market penetration and consumer engagement. Overall, GSK's strategic direction and financial health position it well for future growth, but sustained focus on innovation and market adaptation will be crucial for long-term success.

GLAXO Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
P & G Health Ltd	8781.55	35.78	33.46%	-1.16%	-0.06%	10.41%	26.13%
Abbott India	63489.13	47.58	34.88%	-1.13%	12.33%	0.61%	16.01%
Glaxosmi. Pharma	48500.10	57.26	36.83%	-5.37%	17.56%	-6.84%	28.79%
Astrazeneca Phar	20080.98	119.80	22.92%	7.91%	43.98%	42.28%	246.08%
Pfizer	18628.84	30.26	16.10%	-8.60%	-0.37%	-19.42%	2.81%

Aspect	Commentary
Revenue	The company experienced a notable increase in annual revenue, reflecting strong market demand and effective sales strategies. However, quarterly revenue showed a slight decline, indicating potential seasonal fluctuations or market challenges. Overall, the year-on-year growth remains positive, suggesting a robust business model.
Profit & Loss	Annual operating profit and PAT indicate strong financial health, with significant contributions from core operations. Quarterly figures, however, show a slight dip, possibly due to increased operational costs or market conditions. The overall profitability remains solid, supporting future growth prospects.
Profitability Matrix	The company maintains healthy profitability margins, with an impressive operating profit margin and EBITDA margin. The net profit margin is also strong, indicating efficient cost management and revenue generation. EPS growth further underscores the company's profitability and shareholder value.
Valuation Matrix	The valuation metrics suggest a high market valuation, with a substantial P/E ratio and PEG ratio. The EV/EBITDA and P/B ratios indicate investor confidence and potential for future growth. These metrics reflect the company's strong market position and growth potential.
Growth (YoY)	Year-on-year growth metrics are positive, with notable increases in sales, PAT, and EPS. This growth reflects successful strategic initiatives and market expansion efforts. The dividend yield, while modest, indicates a commitment to shareholder returns and financial stability.
Growth (QoQ)	Quarter-on-quarter growth shows a decline in sales and PAT, suggesting short-term challenges or market volatility. However, the year-on-year quarterly growth remains strong, indicating resilience and potential for recovery. Strategic adjustments may be needed to address quarterly fluctuations.
Capital Allocation	The company demonstrates efficient capital allocation, with high returns on equity, assets, and capital employed. The return on invested capital is particularly impressive, highlighting effective investment strategies and operational efficiency. These metrics support long-term growth and value creation.
Holdings	The ownership structure is stable, with a significant promoter holding and balanced institutional and public ownership. This structure suggests strong governance and investor confidence. The number of shares indicates a well-capitalized company, supporting liquidity and market presence.
Leverage	The company maintains a low leverage ratio, with minimal debt relative to equity. This conservative financial structure supports financial stability and flexibility. The substantial market cap and enterprise value reflect strong market confidence and potential for future growth.

Analyst viewpoint: GlaxoSmithKline Pharmaceuticals Limited (GSK) showcases a robust outlook for short to mid-term growth, driven by strategic initiatives and solid financial health. The company reported impressive year-on-year growth metrics, with a 17.52% increase in sales and a 29.38% surge in PAT, underscoring its market demand and successful execution of strategies. GSK's strong focus on general medicines and vaccines, particularly in pediatric segments, has yielded competitive advantages, reinforced by innovative brands like Nucala. The company's thriving product portfolio witnessed substantial volume growth, further reflected in the considerable operating and net profit margins of 29.8% and 19.1% respectively. Despite a slight quarter-on-quarter dip in growth figures, the overall trend remains positive, highlighting the resilience and adaptability of their business model.

GSK's valuation indicators, such as a trailing P/E of 57.3 and a PEG ratio of 6.29, suggest investor confidence in its future prospects. With strategic capital allocation leading to a remarkable RoCE of 50.7% and RoIC of 84.4%, the company demonstrates a prudent and efficient use of funds to maximize shareholder value. Comparatively, GSK stands robust against peers like Abbott India and Pfizer in terms of market capitalization and financial metrics. While the competitive landscape in the pharmaceutical sector presents challenges, GSK's sustained focus on innovation and strategic market positioning are imperative for maintaining its growth trajectory. Notably, the ongoing effort to build an adult vaccination ecosystem could face hurdles, requiring substantial investments and time, yet GSK's financial and strategic foundation places it well for potential success.

Please read detailed disclosure on next page.

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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