“GlaxoSmithKline Pharmaceuticals Limited

Q3 FY 2026 Earnings Conference Call”

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MANAGEMENT: **MR. BHUSHAN AKSHIKAR – MANAGING DIRECTOR – GLAXOSMITHKLINE PHARMACEUTICALS LIMITED**
MR. JUBY CHANDY – CHIEF FINANCIAL OFFICER – GLAXOSMITHKLINE PHARMACEUTICALS LIMITED

Moderator: Hi, good evening, everyone. This is Dorwin Dias, your moderator from Chorus Call. Welcome to the GlaxoSmithKline Pharmaceuticals Limited Q3FY 2026 Conference. From the management at GlaxoSmithKline Pharmaceuticals Limited, we have Mr. Bhushan Akshikar, Managing Director, and Mr. Juby Chandy, Chief Financial Officer.

By participating in this event, you consent to the recording, distribution, and publication of this event. Kindly note that this call is meant for investors and analysts only. All participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation from the management concludes.

I now hand the conference over to Mr. Bhushan Akshikar. Thank you and over to you, sir.

Bhushan Akshikar: Thank you very much, Dorwin. A very good evening to everyone. Thanks once again for joining us this evening for the Q3 conference call. Starting off from where we left last time when we announced the Q2 results, at GSK India we continue to be anchored around the commercial ambition which is around focus, innovation, and agility.

We continue to be a broadly diversified company operating at both ends of the spectrum with a significant general medicines portfolio with leadership positions in therapy areas like anti-infectives, dermatology, pain, and most importantly, vitamins. In the prevention space, we continue to move month after month over the last several quarters with the vaccines business, both pediatric as well as the adult vaccination space.

What's new and relevant is our foray in the specialty side. Over the last couple of years, we've clearly stated our intent of significantly improving our presence beginning first with our respiratory specialty portfolio, and now over the last couple of quarters, our foray in the oncology space.

And that's where we will continue to build our energies in the coming three to five years. Can we move to the next slide. I'll start off first with the performance of the general medicines business, which is still a significant portion of our top line revenues, just to give a frame of reference in terms of how the market continued to behave.

After a couple of soft quarters, the last quarter, Q3, we saw even the external market bumping up. And when you look at our represented market for GSK, we did see a fillip where the external market grew almost in the range of 9%, in line with the acute market where we primarily participate. So on the left-hand side of the chart, if you look at where our majority of portfolio operates, the acute market roughly stood at about 8.6% growth.

That was after a muted Q2, driven by all the variables, both volumes -- after a couple of quarters we've seen volume growth coming back into the positive area -- and a good smattering of price and new introductions. If you look at the middle table, which is really the space where most of our products participate, the therapy areas, anti-infectives after a significantly suppressed Q2, in Q3 we saw anti-infectives coming back to almost a 4% growth, and then coupled with this, we did see areas like vitamins, pain, and most importantly, vaccines growing in significant numbers.

The last chart on this slide is on the right-hand side where compared to the represented market, the specific therapy areas where we operate and the brands in those represented markets. So that's where overall we delivered a growth. Next slide, Farah. A growth of 10%, which was slightly above the market.

And as I said, this quarter after the last two soft quarters was an area for us to come back, led by two things: one, the interruption that we saw on the supply front for the last two quarters is now done. We've clearly seen from Q4 onwards we will definitely have no more supply constraints. We did have some specific areas and we'll talk about that.

But in the GenMeds portfolio, if you look at our performance externally, we have evolution index more than 100, which means we did better than the market for majority of our brands. On the vaccine front, we've continued to grow share as well as improve our ability to get more benefits with our both pediatric vaccines as well as the adult vaccination space.

Over the last two and a half, three years, all our efforts around creating the adult immunization space continues to move from strength to strength. And that's where we've now pivoted towards the cardiovascular metabolic disease opportunity to further talk about the bi-directional nature of Shingles prevention and the CVMD space. Last but not least is the specialty area. Trelegy Ellipta continues to occupy the central space in the triple closed single inhalation therapy.

And Nucala had, again, a significant quarter with almost 100 patients month after month, every single month in Q3. So that's where we were. I think, as I said, the most significant for us from a portfolio standpoint was the, this was the first full quarter where we had our oncology portfolio available, both Zejula and Jemperli indicated for ovarian and endometrial cancer respectively.

I think the bigger news for us was the regulatory approval in the second half of December where now we have approval with the RUBY-1 trial of first line endometrial cancer. So from almost 800 eligible patients for second line, we now have almost 6,000 patients as eligible patients for endometrial cancer in first line. So that's the most significant impact we will see moving forward as well.

On the digital pathways that we've really articulated over the last couple of years now, we continue to do cutting edge work on our Omnichannel strategy. So if you look at beyond our sales reps time in the clinics, you continue to have both face-to-face as well as digital connections and touch points. We do reach out to a significant number of HCPs digitally. And for the quarter, we had almost 4 million touch points, which are above, including the face-to-face interactions. Next slide. Yes, Juby do you think you can go?

Juby Chandy: Yes. So good evening everyone. I'll begin with the top line. This is a milestone quarter as you would have noticed. This is the first time for a quarter we are crossing INR1,000 crores with a growth of 8.1% standalone basis, and on consolidated basis, we are talking close to 10% growth. Now what's driving this growth? If you see, the general medicine business is back to growth. All the key brands, Augmentin, Ceftum, T-Bact growing double digits.

Specialty portfolio, this is the first quarter of the oncology launch. In addition to oncology launch, we have Nucala as well as Trelegy driving the growth in specialty. Pediatric vaccines

portfolio continued to deliver strong growth, 11% growth for the quarter, led by Boostrix, Varilrix, and Havrix. These three brands are growing double digits.

So broadly you're seeing across the portfolio you're seeing very strong growth and market share gains as we've ramped up the activities and supplies are pretty much back to pre-supply level. Shingrix continued to gain the market share like Bhushan explained, especially we are engaging with more HCOs as well as HCPs with our CVMD strategy.

EBITDA front, it's a fantastic quarter with 35.9% margin, which is a 520 basis point improvement, 5.2%, and a growth of 26.7%. If you see the levers, we continue to improve on the gross margin front. Secondly, we've been containing our cost, disciplined cost control has been, again, another good quarter on productivity improvement.

And this growth is also on the backdrop of one-off labour cost impact of INR11.8 crores. Profit after tax, you can see the same trend continuing on the EBITDA in the PAT. There is interest and depreciation which is helping us to even go to 27.3 margin with 290 basis point improvement. EPS growth of 9% in the quarter and the cash position is quite healthy with INR2,426 crores.

So this is one slide we've been trying to share on the last two or last three meetings. Where are we heading towards? Our portfolio is from established business to Shingrix, Nucala Specialty, and now onto the oncology. What does it mean? We are getting into the high category growth. And if you see on the profitability, our profitability has been improving steadily over the last many quarters.

We are at 35.9 (%) and two years back it used to be at 24.3 (%). And the highlight again on this is the competitive performance. We continue to maintain competitive performance, improving our market share. And with this portfolio transformation, profitability improvement, and market share gains, we are at a good place for the quarter.

Maybe we can open up for the questions, Bhushan.

Bhushan Akshikar: Sure.

Moderator: Thank you very much. We will now begin the question-and-answer session. You can choose to ask your questions in two ways. The first is on video. To ask a video question, please press the Ask A Video question tab and follow the instructions to join the queue.

By clicking on join as attendee, you will be on audio only. By clicking on join as panelist, you will be on audio and video. Before asking the question to the management, please introduce yourself, providing your name and your organization's name.

The second way is by typing your question directly in the chat box. Please limit yourself to a maximum of two questions so we can accommodate as many questions as possible. Ladies and gentlemen, we will now wait for a moment while the question queue assembles.

Our first question is from the line of Mahesh Hemchand Purohit from H.J. Securities. How do you see the innovative pharmaceutical industry growing over the next five to seven years? Also, what role do you think biopharmaceuticals will play in that?

Bhushan Akshikar: Thank you very much, Mr. Purohit, for, as always, wonderful questions. Clearly there is a stated, explicitly stated intent for the pharmaceutical industry to move from being a pharmacy of the world to a research powerhouse. And that's where I think the evolution will continue to move from established medicines to specialty and super specialty.

Clearly, given the number of global clinical trials happening in India as well as discovery from some of the Indian players, I clearly see the biopharma space only expanding. If you look at a data point of the announcement in the budget of the biotech fund, clearly most of the energy will be spent by players across the board in this area.

And that's where, if you saw Juby's last slide, even at GSK we have a very strong and a robust base of our general medicines and our established vaccines business which will continue to be relevant, but on top of that I think the growth will certainly come from biopharmaceuticals. And that's where even our company will move in the same direction to bring innovation at pace and at scale.

So clearly, I think that's an explicitly stated intent as well as action for companies like ours so that we reduce the launch lag that our patients typically see in terms of those innovative launches happening globally and when they get launched here. So that's the first part. I think even the second part of your question I think I've answered partly.

But clearly I certainly see, given the ecosystem that all providers, including the government, are trying to establish, a large part of the growth will happen on the other side.

Moderator: Thank you. Our next question is a text question from Mehul Savla from RW Equity. Are current EBITDA margins sustainable? What is the impact of recent budget announcement relating to duty-free import of cancer meds? And what is the total employee strength and how much is the field force? What are the expansion or addition plans?

Bhushan Akshikar: Thank you very much for all three questions. I think the first question is around the EBITDA. As we all know, we typically don't give forward-looking guidance. As I've always said in all our meetings, our endeavor will be to hold the margins and stay competitive and sustain these margins as opposed to spending any time to improve.

If that happens, it's an outcome. But I think our first priority will be to maintain the margins that we've now been able to sustain over the last three years. So that's the first one. The second one is in terms of the budget. Yes, there were some announcements around reduction of basic customs duty.

We already had some customs duty reduction for some of our assets. This time around we've not had any of our products getting included, for which we will definitely be making representation to the relevant authorities. But that's where we are. We didn't get anything extra on this announcement. That's the second question.

Your third question was around the productivity and the number of employees. We have roughly about 3,000 employees across the enterprise. And within the sales organization, we have about 2,000 employees on the ground. And that's something that has remained over the last two years.

As I said, we have unlocked significant value with consents from healthcare practitioners where we reach out not only face-to-face by a face-to-face interaction but also unlocking value through the omni-channel stroke digital ways of working. So that's where we are currently. We have about 2,000 people on the ground as our sales reps. I hope I've answered all three.

Moderator: Thank you. Our next question is from Finnacle Institute. Please go ahead. Participant who has joined us from Finnacle Institute, please accept the prompt on your screen, unmute your audio and video and proceed with your question.

Ahmed: Am I audible?

Moderator: Yes, you are audible. Sir you may proceed.

Ahmed: I have three questions. Firstly on the Augmentin part, we had some disruption because of the CMO partner having plant on fire. So how is the status now and have we seen normalization fully restored? Secondly, in terms of MIP for, I'm assuming, key raw material for one of the, it is Augmentin's combination drug and the key raw material is amoxicillin. So because of the MIP, do we sort of see any impact in terms of our margins?

Number three, in terms of our vaccine business, in the presentation, we have spoken about 80% growth in Shingrix. So what sort of annual run rate we are at as of now? And lastly, in one of your, I think, news articles there was a mention of INR8,000 crores top line in a few years, four, five years. So can you give some sort of, in case you are willing to speak about it, can you give some sense how are we planning to achieve it, what sort of product pipeline and are we expecting to launch?

Bhushan Akshikar: Sure. Thank you very much. So your first question was about the fire at the CMO, our contract manufacturing organization. Just a small correction, it was not the Augmentin site at all. It was a site which was manufacturing products like Calpol, Cobadex CZS, and a few others. And those are the products that were impacted for almost three quarters, including Q3. So we did normalize largely by mid-November, December, but we still lost sales, there were supply constraints to the tune of roughly about INR25 crores, INR30 crores, shaving off almost 3% of our growth on our top line revenue.

So if you look at our underlying growth, it should have been in the range of 11%. But the good news is we have now resolved those issues. And from a supply continuity standpoint, all the required remediation that was required at the site is done. We worked very closely with the CMO to ensure that in Q4 and beyond, we have -- we are now building up inventories. So that's the first part to your question. I think I made a note of all three.

Ahmed: The second one was on the MIP on the raw material.

Bhushan Akshikar: Yes, so MIP will not have any impact on our, you know, the Amoxiclav has been included, but there is no impact for GSK in terms of the margin and the EBITDA and the gross margin. So we don't see any impact of that second one. I'll take that last question first before I come back. So I think yes, we did articulate a clearly drawn-out strategy of doubling the business. And I think the thinking is very simple.

This organization has to grow in the range of 12% to 13% annually over the next five years so that we can double the business from where we were in '23-'24 to the point of becoming an INR8,000 crores business. So I think two or three elements are very important. I think our base business, as you've seen, has continued to get that kind of tailwind, both the GenMeds and the established vaccines business.

But I think the growth platforms, namely Shingrix which we launched, and to your earlier question, the growth came from a pivot that we've made towards a cardiovascular metabolic strategy, as I said, where there is a clear bidirectional nature and linkage of shingles prevention and cardiovascular events. So that's something that we are now focused on.

I can give you a rough estimate, but I think we are touching almost 9,000 to 10,000 patients every month. So in terms of volumes, it was almost 100,000 doses that we sold for the whole calendar year of last year, and we estimate that number will only go up as we close out our financial year.

In terms of values, it roughly translates around INR70 crores-INR75 crores. So that's where we are on a calendar basis. The last question around the growth strategy, yes, as I said, the base business will continue to sustain with the things that we are doing, but I think the significant impact will come from our new portfolio.

This year, we also have a couple of oncology assets lined up, including belantamab, which is Blenrep, which is for multiple myeloma. So that's another asset that we will get activated in the next financial year, this calendar year, but the next financial year. We have a couple of assets coming up in oncology. We also have assets coming in the liver disease area. Again, first of its kind potential functional cure in liver diseases like chronic hepatitis B infection.

We just had the first readout globally in the month of December. So, clearly, these are the two areas which will set us up in terms of the growth platform for this company over the next three to five years. So that's where our strategic intent of continuing to grow the business by the double digit number remains intact.

Ahmed: I have two follow-ups. Just to clarify, did you mean that the INR75 crores is the CY '25 Shingrix top line? Am I correct?

Bhushan Akshikar: That's right.

Ahmed: Okay. And secondly, can you give us some sense with the launch of Zejula and Jemperli, what sort of run rate is it practical to achieve with the kind of traction you've seen? I mean, it is probably a little early, but I think we are, I think in nearly I think six months of launch since

August. So can you give some sense what sort of run rate is practical to achieve a couple of years down the line in these two products?

Bhushan Akshikar: Sure, but I think it's a -- it would be a premature assumption on my part to give you. But I think, clearly, the first three months since we launched it on Independence Day, the whole idea of getting freedom from gynecological malignancies with the pivot with these two innovation-led molecules, both Jemperli and Zejula, respectively, in endometrial and ovarian, got launched.

As I said, the first full quarter that we were available, especially Jemperli, which is dostarlimab, was indicated only for second-line patients in endometrial cancer. And that eligibility pool was just about 800 patients. As I said, the second half of December, which is the end of Q3, we got the approval for the first-line in endometrial cancer. And that pool of eligible patients is almost 6,000-7,000 patients available. So it's not going to be a like-to-like comparison.

What we did in the first quarter is a great start, but I think it'll only get better as we move forward. I think our intent will be to ensure that as many patients of this pool of 6,000 available for first-line endometrial can get the benefit with this remarkable asset, which incidentally has the RUBY 1 trial clearly talks about this being the only monoclonal antibody which has got progression-free survival as well as overall survival benefit. So that's where our intent will be.

Moving forward, we also have indications in rectal, so that readout should happen in 2026 calendar year, not in the financial year. So each of these indications will open up new opportunities for us as we move forward. So I think, as I said, it'll be a comparison of apples-to-oranges if I were to hazard a number and guess it here.

But I think the intent is to ensure that as you would be aware, oncology is a high-growth area, one of the highest growth is in oncology, almost 20%-22% is the therapy area growth annually, crossing almost INR10,000 crores, INR11,000 crores now. And our ability, therefore, to make the most with these innovative assets with the current indications as well as the trials that are ongoing, unlocking each of these indications would be intact. So I think that's where we are with these two assets.

Moderator: Sir, would you like to share your name with us, please?

Ahmed: My name is Ahmed.

Moderator: Thank you. Our next question is a text question from Julie Mehta from B&K Securities. She has three questions for us. The first is, what is our current PCPM?

Bhushan Akshikar: Are you going to give all three questions or?

Moderator: Sir, you can proceed with the first. I can follow with the next two later.

Bhushan Akshikar: Yes, so clearly if you see where we stand, it's in the -- we have a seasonality component because obviously a part of our portfolio is acute. So especially around Q3 our PCPM or per capita per month productivity goes up significantly because that's the season really. But we have one of the highest productivities per rep. So if you just look at our top line revenues and the 2,000 reps

that we have on the ground, it's a substantially high number compared to the peer companies or other players.

Moderator: Our second question from Julie is, how many MRs do we plan on adding in the near future?

Bhushan Akshikar: So Ms. Julie, I think over the last two years I've been talking about our ability to therefore do a lot more unlocking digital. So it doesn't mean that our reps are any less relevant, our reps remain absolutely relevant, but we are supplementing and complementing everything that our reps do with digital touch points. And that's where this field force of 2,000 that we have largely in general medicines remains intact.

I think where we will keep expanding is the specialty areas. So we just launched our oncology business with a team of key account specialists as well as product specialists. We will be -- we are now working to launch our haematology team in the coming few weeks and months. So that's where some of the additions will happen on the specialty and the super specialty front.

But currently what we have in general medicines and the established vaccines business is, I think, we've -- we are really reaching out in terms of coverage, the potential that we have. I think we are at the right sweet spot. So I don't see any need to expand right now.

Moderator: Our third question from Julie is, can you also throw some light on how is the acceptance this time around with new onco launches among oncologists and what is our strategy to see greater acceptance?

Bhushan Akshikar: So I think it's a great question and within oncology if you look at clinical outcomes and the biggest one in that is the overall survival benefit. If you were to ask any oncologist at the end of the day if you are able to add, you know, extra number of years to that n=1 patient, I think that's the holy grail in oncology. And I think when you look at the readouts that we have, when you look at the data published even for Dostarlimab in the Ruby-1 trial, in the intent-to-treat population.

It's one of the few or probably the only one, which has got well-articulated and established documented overall survival benefit. So I think that's where we are making a significant impact. Both healthcare practitioners, caregivers, and patients with every passing month are gaining confidence with this therapy. And I think that's what will separate us in the coming time. We will remain focused on creating evidence generation both at the local level as well as using some of the global trials that are happening in India.

So that's what will further create the impact that you just talked of. So I think the first four-five months that we've seen, every month we've been growing from strength-to-strength. We have almost 250 patients who are currently on treatment with Zejula and Jemperli as assets. So the idea is to move it even further in the coming months.

Moderator: Thank you. Our next question is from Vamsi Hota from ASK Investment Managers. The first of three questions is, on the pipeline, what are some of the key assets under trials that you plan to launch over the next three years and in which therapy areas?

Bhushan Akshikar: You can give all the questions together, Dorwin. Yes, give all the questions, please.

Moderator: Certainly, sir. We have the second question. The second one is, is it a fair assumption to assume that the gross and EBITDA margin profiles of our injectable assets are higher than the regular portfolio? And the final question is, as in the case with some of the MNC peers, is there a risk that the parent entity of GSK could launch any assets directly in India instead of via GSK Pharma India? Thanks and all.

Bhushan Akshikar: So I think first of all I'll take the last question first. I mean if you see the demonstrated evidence, we've had both Zejula and Jemperli being launched through the listed entity, so I don't see -- we've got data points to prove our intent and that will stay. I'll connect that with the first question on the pipeline. So clearly if you look at the global strategy is really to strengthen our expertise in the area of immuno-oncology and that's where there's a lot of ongoing work.

We have the next generation of ADCs as they're called, antibody drug conjugates. So those are clearly a part of the remit that we have for India. So there's a compound called B3H7 that's slated for trials in India across indications. So over the next five years there are at least 12 to 15 indications for this antibody drug conjugate that we have. As I said, the immediate here and now would be Belantamab which is Blenrep, which is indicated for multiple myeloma.

India was a part of the global clinical trial, so as and when the readout happens, the first readout happens and there's approval, marketing authorization in some of the established markets, we will go concurrently. The intent is to launch it in the coming financial year, probably Q2 or Q3 latest. Apart from that, we also have trials ongoing in the vaccine business. So we have a trial for RSV, respiratory syncytial virus, which we've completed.

So that's another asset that will complement our efforts in the adult vaccination space. On top of that, as I said, one of the focal areas for us as a company is this whole area of liver disease. So whether it is Bepirovirsen which is the first functional cure for chronic Hep B infection -- the first readout happened in December, as I said -- so that's another one where again India was a part of the global clinical trial.

So we will be using the Indian sub-section of data to submit to the regulators. So that's another one. Plus we have a couple of other compounds in the liver disease area including a molecule called Efimosfermin. India was again -- India is again a part of the global clinical trial. So these are the three big areas where we will continue to unlock value by getting these innovative assets into India through the same entity. I hope I've answered all three. I think the second one was around gross margin and EBITDA for injectables.

Juby Chandy: The base business margins are slightly more than the injectables as the cost to launch the assets are heavier. But as of now if you're thinking about diluting the cost or changing the cost profile, the margin profile is not going to -- you're not going to see any impact because the size of the base business is pretty huge to make any impact on the margin profile.

Moderator: Thank you. Our next question is an audio question from Monica Bhaskar. Please accept the prompt on your screen, unmute your audio and video and proceed with your question.

Monica Bhaskar: Yes, hi, sir. I think I just want to indicatively tie up the comments here and appreciate a lot of new launches specifically from the India listed entity that has helped us to kind of boost the growth numbers for us? Now, when I understand that we have an aspiration to hit a INR8,000 crores topline and when I just tie up with your comments that we want to double this revenue from where we started or left at FY '24 ending or so.

Now, to my mind, reaching a INR7,000 crores, IR8,000 crores topline from here on would indicate north of 20% CAGR in next couple of years. While we do have that as one of the targets, we also see that maybe 12% to 13% is the growth aspiration we want to execute on.

Just help me understand where truly is the realistic scenario here? I know we'll obviously target for much more, but given all the moving parts, specialty business, vaccine launches, where do we kind of look to take this business forward from here on?

Bhushan Akshikar: Sure, it's a very good question, Miss Monica. So Miss Monica, I've been saying this for the last more than a year now and the context was simple. If you remember, we are in the second year of our second century of commercial operations in India.

GSK was established in 1924 in India and when we were completing our century of trust in 2024, that's when I said that, if our base of '23 was a certain turnover, should we be waiting for the next 100 years? Obviously no. What will it take for us to fast-track? And that's where the intent of doubling the business comes from.

So when you look at where we were end of '23-'24 and then scope it out over the next 5 to 7 years, that's the -- that's where you frame the reference and talk about the 12% to 14% growth. Now, if you look at the base business, which is still substantial for us, whether you look at the GenMed or the established vaccines business, that market will still -- if you will look at the prognosis, that market will still continue to deliver a high single-digit growth for us even if you were to scope it out over the next 5-year period.

I think the growth platforms that I talked of and I just articulated and you've got demonstrated evidence of the kind of opportunities that exist in the specialty, super-specialty space, especially in oncology, especially in unmet needs like liver disease.

That's where we clearly see, a breakaway in terms of not only holding the growth numbers in the range of 8% to 10% for our base business but really having those boosters, so to speak, for this enterprise with those new launches. So that's where the context is of moving from the number that we were at '23-'24.

Monica Bhaskar: Fair, just a follow-up here. When we say that GenMed and the base portfolio would be growing at high single digit. Now when I Shingrix, for example, today has become INR75 crores brand as we speak of if as we highlighted.

Now can we have amongst maybe the next let's say we aspire to launch 5 new launches to 6 new launches over next 7 to 8 years? Do you fairly believe that with the paying potential in India, we can have a INR500 crores plus brands of these newer launches? Because that is what it will take to reach the aspiration where -- what are we hitting for?

Bhushan Akshikar: Sure, first of all, Miss Monica, you make a good point. The Indian consumer or Indian patient is not just cost-conscious, I think she is value-conscious. So if you are able to get innovative therapies which bring the right value for those patients and those healthcare practitioners and we've seen loads of examples including of Shingrix that we have in our portfolio where patients are willing to pay that -- pay that price.

I think secondly, we've always had in India -- we've always had an India-centric pricing approach including of the assets that we talked of. So I think that sweet spot is something that we've -- that we've always focused on in terms of pricing, including with the oncology portfolio.

I think the patient assistance programs that we have -- we talked about this last year when I had my media briefing. So I think these when you triangulate these three, we remain absolutely confident of what we've said in terms of the aspiration and the objective that we've set up.

Monica Bhaskar: Okay, fair enough. Thanks a lot, those were my questions.

Moderator: Thank you. Monica, may we please request you to announce your organization name as well?

Monica Bhaskar: Yes, SBI Mutual Fund.

Moderator: Thank you. Our next question is from Aejas. Please accept the prompt on your screen, unmute your audio and video and proceed with your question.

Aejas: Thank you. My name is Aejas, I'm calling from -- I'm calling from Unifi AMC. Sir, I have one very specific question, which is that if you look at GSK in a block of, 3 to 4 years, in the last, block of this 3 to 4 years, you've been able to benefit from API prices being rather benign, some of the restructuring and employee productivity measures that you have taken have helped the bottom line.

Additionally, SG&A and your adoption to the digital channels has helped. And that has led to a situation where the growth in profitability has been materially higher or ahead of the growth in revenues.

But given where we stand today, my question is really that if you were to take the block of the next 3 years or 4 years, could you give some directional sense that, will profitability be ahead of revenue numbers?

And the reason I ask this is because you've alluded to the base portfolio growing at a certain rate and the innovative asset portfolio will continue to grow ahead albeit a low base, but the margin profile of that and given the launch expenses with the newer assets will be always heavier and they're coming in blocks, right? So is it fair to understand that the block of the next 3-4 years, the topline growth will mirror the bottom line growth? That's my question.

Bhushan Akshikar: Sure, it's a very good question, Aejas. So one of the things that you probably didn't miss out, I mean you made a good reflection of the last 3-4 years, but I just want to remind all of us, 3 years ago when I and Juby stood up 3.5 years back for the first time, I talked about the impact that we had with the NLEM then.

And if you remember, we were the most significantly impacted with the NLEM with some of our biggest brands getting included in the then NLEM list of 2022. When I scope out the three and in spite of that, we drove volumes and we are today if you look at where Ceftum and T-Bact are as two brands. We are in value terms, in spite of having a price cut of more than 55%, in value terms Ceftum is in the -- for a calendar year also it's above INR200 crores.

So in we've more than recovered in terms of the value, that's because we've grown the volumes by 3% to 4% over the last four years. But I think coming to the next three to five years when I were to again look at the prognosis, this time around when the NLEM happens, one the impact on our top line, bottom line for the GenMed business because most of our brands are already even if you to re-average we are in a certain band so we there are no out of the—no outliers so to speak in terms of what we underwent the last two times around.

So I think that's one of the most significant changes. I think to your point around growing the innovative portfolio, we are in that sweet spot. I think you talked about everything that we've done in the last three years to ensure that this machine is now working at a certain pace in terms of really maximizing our field force productivity, really dialling up our omni-channel integration. And that's where we are.

So I don't think even if you to scope out of the next three to five years, even with the new launches -- because remember these new launches, especially the areas that I talked of, don't require field forces of 1,000 and 2,000 people. I mean, if you even if we look at the oncology space or hepatology space, given the number of healthcare practitioners in these specific areas, the field force strength is in -- you can count them probably on your fingertips or probably multiple of fingertips. So that's where we are.

But as I said in the beginning, one of the other questions, our objective will be to hold and sustain these margins which we've worked to deliver over the last three years. So that would be the objective rather than expanding gross margin any more or expanding the EBITDA. I don't know, Juby, if you want to add something there.

Juby Chandy: So I think Bhushan you explained well. So the idea is we are in a very unique spot to invest to grow. So that is where our P&L is very strong, we can invest more and sustain the margins. That's the kind of strategy. So to long story short on your on your question, next three-four years our focus is to bring all these new assets bolt on the growth what we are seeing in addition to the base asset, at the same time use this good opportunity of the nice margin level to invest and grow the strategy.

Bhushan Akshikar: Understood. So it's a fair conclusion that it's going to result in a far more accelerated sales growth GSK for the next block of three to five years and profitability to grow broadly in line with revenue growth.

Moderator: Thank you. Our next question is a text question from Nitin Agarwal from DAM Capital. In the next three years, what proportion of our revs can be contributed by vaccines and specialty products? Also, is it fair to assume that vaccines and specialty products typically generate margins?

Juby Chandy: Yes, on the margin level since there's lot more question comes actually. So the vaccines as well as specialty generates the vaccine margins because these are imported products. So that's one thing. The only caveat on the margin side is our base business, 80% of the business is the raw material product, it's hugely dependent on the raw material prices.

As we speak, the raw material prices what we are seeing in the market are pretty stable, at least for the last two years. So if any change in the raw material prices comes, there might be up and down on the margins. If the raw material prices soften, we might improve the margin level. Other way around also could happen. That's on the on the margins. On the field force, Bhushan, you want to take?

Bhushan Akshikar: I'll take it. Yes, I think again going back to -- I said in my first slide, what makes us unique at GSK is we continue to be broadly diversified. And when I -- when you look at the uniqueness of GSK in India, we still have a substantially significant base business, an established business, which allows us to therefore invest to what Juby said even in the earlier question.

And I think that's the uniqueness of this operating model. It allows us to absorb shocks as well as invest freely so that we can create the new growth platforms. That's how I see the next three to five years continuing to evolve.

Juby Chandy: Yes, but majority of the headcount is still focused on general medicines because we don't need too many headcounts in the specialty and vaccines because it's a small cohort of doctors we are targeting.

Moderator: Thank you. Our next question is a text question from Mahesh Hemchand Purohit from H.J. Securities Private Limited. What role do you see for our company in manufacturing and exporting to other markets?

Bhushan Akshikar: Well, so I think thank you very much Mr. Purohit for that question again. We continue to have our manufacturing operations in-house in our Nashik factory along with, of course, more than 20 contract manufacturers. At Nashik we do manufacture something which goes out to the WHO. So that's an area. Obviously as of now, given where we are in the supply chain, we are in for India, in India model.

We don't really manufacture anything for the global organization unless there are some specific cases where we've done something in the past 12 months, sending a national emergencies or some such situations where couple of countries have asked us to send. But otherwise our model is largely India for India. But that's where we are currently.

Moderator: Thank you. Our next question is a text question from Vishal Advani from Bandhan Life Insurance. Hello, sir, could you please share how many total MRs are currently dedicated to the oncology segment and where we stand today in terms of oncologist coverage? Thank you.

Bhushan Akshikar: Thank you very much for that question. So we have about 25 key account specialists in the oncology team. They've all come with collective experience of oncology. They've been in the oncology space for a substantial number of years now. So that's where we have. We cover about

1,000 oncologists on the ground, anywhere between 850 to 1,000. Because that's—so that's the whole universe that we have currently.

So we cover medical oncologists and the and the fraternity both in surgical and radiation to some extent, but medical oncology is where we focus completely. As I said, the next one for us is the Hematology business. So that's where we will be investing in launching the Hematology team focusing on various types of blood cancers, beginning with multiple myeloma.

Moderator: Thank you. Our next question is an audio question from Abdul Abdulkader Puranwala.

Abdulkader Puranwala: Yes, hi, sir. Thank you for the opportunity. It's Abdul Qadir Puranwala from ICICI Securities. So my first question is with pertaining to your three verticals. So just wanted to get some sense from you as to, you know, in the last, say, couple of years and this quarter, how would the growth across your general medicines and respiratory portfolio specifically would be?

And on the vaccine side as well, we've talked about Shingrix doing well, but then on the residual side, if we look beyond Shingrix, how the volume growth in the residual portfolio also if you could throw some light on?

Bhushan Akshikar: Sure. As I said, if you look at the correlation to the Q3 results, we have almost an 8% topline growth, 8.1%. And I did talk about supply constraints. So when you ask that question Mr. Puranwala about the last few quarters, we've been quite objective in sharing with you the unfortunate incident at the CMO which took a toll for two subsequent and successive quarters for us in terms of stock availability and constraints.

So the comparison might not be correct because we were shaving off almost 4% on our growth because of non-availability of supplies, this even including Q3. So I think moving forward, that's where we are. This whole objective of driving a double-digit ambition remains intact. So that's where we are as an organization.

When you look at the question around vaccines, our vaccine business has been delivering a double-digit growth for, I think, now six successive quarters. As I said, the GenMed business, which still accounts for more than 75%-78% of our topline revenue, underwent a significant challenge for two quarters bringing pulling that growth down to low single-digit, but that's where we are back now and I think that's where we will sustain our business.

Your question around Shingrix, I think even when you were to separate Shingrix from the overall vaccine business and look at our pediatric vaccine business, I think Juby showed that in one of his slides there in the presentation where we've talked about a double-digit unit growth for most of our pediatric vaccine business assets including Varilrix, Havrix. So, it's a fairly well-rounded growth that we've seen, especially in this quarter.

Abdulkader Puranwala: Got it, sir. And sir, secondly on just a clarification on, the close to INR12 crores of impact on account of the new Labour Code. So this is a part of your employee expense or we have adjusted that as exceptional item here?

Juby Chandy: So we've put it as part of employee expenses given it's not material in terms of the numbers. So if you see the notes on the printed financials, we put it to that extent it's in the employee cost and it's one-off.

Abdulkader Puranwala: Okay. Okay. So just on that then, what explains the Q-on-Q dip of nearly say close to 10%, if I strip off, close to INR16 crores of one-time benefit again what we had in last quarter? So, I think employee cost is down on Q-on-Q basis, so if you could help me understand the reason for this dip?

Juby Chandy: Last year we had some one-off provision reversals in the last year, but employee cost as an inflationary base for the future, it will be growing close to 7% to 8%. That's the kind of targets or the underlying growth we have.

Abdulkader Puranwala: Understood. Thank you.

Moderator: Thank you. Our next question is an audio question from Viraj Mithani.

Viraj Mithani: Okay, I'm Viraj Mithani from Jupiter Financial. Am I audible?

Bhushan Akshikar: Yes, Mr. Mithani.

Viraj Mithani: Okay, good evening, sir, and thank you for the opportunity. Sir, my first question is the recent acquisition by the Glaxo parent, how is it going to benefit India and in what time frame will it benefit India? The biopharma and some two-three acquisitions have happened recently?

Bhushan Akshikar: Sure. So I think one of the -- it's a great question again. One of the stated intent for us is to launch and have early access to our innovation portfolio. So these acquisitions that globally we've made is for assets in the area of food allergies. That's a growing area where you see significant number of people developing allergies to certain types of food.

So, as and when appropriate, the good news is for most of these molecules, India will get pitched as a place to do clinical trials and as and when that happens, our ability to therefore reduce the lag in terms of the launch timelines and therefore use the subset of data for Indian patients with the regulators is what will allow us to launch these innovative assets much earlier. So that's where we fit in. I think increasingly, we are seeing India locked into the global model of early access of innovation. So that's how I would see it.

Viraj Mithani: Okay. Sir, my second question is given the momentum your parent is, 12% to 13% growth seems too low actually, you know?

Bhushan Akshikar: No, we would love to grow much higher. But as I said, if you look at where we've come from, I think our ability to therefore hold and deliver consistent performance quarter after quarter is more important than having a flash in the pan. So that's how we see it.

Viraj Mithani: Okay. And sir, my last question is with supply constraints getting over and other things behind. Now, can we expect double-digit growth coming in next quarters only? It's fair to assume that? In topline?

Bhushan Akshikar: So, I think it's a very good question again because we've always said that that's what we should be aiming for. As I said, the last two quarters were soft and we shaved off almost -- and I just said, we were shaving off almost 4% of our topline growth, our underlying growth was at least 4% higher. That's the intent, so I think I think that's where we will remain focused.

Viraj Mithani: Okay. Thank you and all the best, sir.

Bhushan Akshikar: Thank you very much.

Moderator: Thank you. Our next question is a text question from Vamsi Hota from ASK Investment Managers. What percentage of portfolio is currently under NLEM? Would our recent and upcoming specialty launches follow the usual supply chain distribution led by stockists, or is there an increasing share of direct procurement via bigger hospital chains?

Bhushan Akshikar: So, our current NLEM, the portfolio that we have in the covered by the NLEM is to the tune of almost one-third.

Vamsi Hota: What percentage of portfolio is currently under NLEM? Would our recent and upcoming specialty launches follow the usual supply chain distribution led by stockists or is there an increasing share of direct procurement via bigger hospital chains?

Bhushan Akshikar: So, our current NLEM, the portfolio that we have in the covered by the NLEM is to the tune of almost one-third. Over 35% of our overall portfolio is under price control, 35%-38%. So that's the response to your first question. For the specialty and super-specialty portfolio, we still have, as you would expect given the agility required in the supply chain, to get these innovative assets as quickly as you can, whether these are infusions in a hospital setting or in day care centers, especially in oncology.

You don't have the same distribution setup that you would expect in traded products in general medicines kind of business. So we have a super distributor format, where we get, the whole focus is on getting fast service to the patients and the hospitals and the healthcare practitioners. So it's an agile supply chain model that we follow for the specialty portfolio.

Moderator: Thank you. Ladies and gentlemen, we have no further questions. Pardon me, ladies and gentlemen, we have a late entry to the queue. We have a question from Viraj Mithani. Please go ahead with your question. Viraj Mithani, you may unmute your audio and video and proceed with your question.

Viraj Mithani: Yes, am I audible now?

Moderator: Yes, you're audible.

Viraj Mithani: Sir, my thank you for the opportunity again. My question was will we benefit from the parent launch globally as well as the India would be simultaneous or would be some time lag?

Bhushan Akshikar: So it really depends on how our regulator, so look at the data that we submit. So if you've seen in the recent budget also, there is a whole focus on improving the regulatory landscape and really

fast-tracking approvals. So that's clearly stated as one intent in the recently announced budget for the pharma sector.

And the reason is simple because although you may have approvals in the Western world, it still takes anywhere between six months sometimes to 18 months to get approval from our local regulator. So I think the regulator also have stated their intent to fast-track and accelerate, but it's a function of therefore how things evolve in the coming months.

But hypothetically speaking, the whole idea of launching concurrently given that we have now Rule 101, which means the six countries where you have already got the marketing authorization and the approval from the regulators there, you should ideally be getting the same in with data you should be able to get simultaneous approval.

So that's the eventual holy grail if I see it that way. But I think we are in that direction. We are increasingly seeing reduced timelines. But I think in the next 12 months we'll see how this space pans out.

Viraj Mithani: And sir, if I may squeeze in one more question. At what stage in say next seven years' journey will the share of new medicines will be broadly close to our traditional medicines?

Bhushan Akshikar: Sorry, I didn't understand the question. Is it in terms of the contribution to the topline revenue or…?

Viraj Mithani: In terms of contribution to topline revenue in terms of like say share of cancer drug, cancer drugs plus our vaccines would be more or less equal to our traditional medicines which have been there like, you know, T-Bact and other things like those.

Bhushan Akshikar: So Mr. Mithani, it'll so as I keep saying, I think we are blessed and fortunate to have a robust established business, both for GenMeds and vaccines. Now if you look at this INR3,500 crores plus business that we already have, will something replace overnight? Chances are no. But I think I've always talked of the concept of freshness index, which means what is what are the new launches really contributing in terms of a topline.

We had three years ago we said that our intent is to have at least a 10% freshness index, which means products that are launched in the last two to three years should contribute 10% of our topline. Today when you look at the coming financial year, that's a clearly stated intent that our oncology business, Shingrix which is about less than three years old, the RSV product that we will launch, Blenrep, all these products put together should be in the range of that 10%-15% mark.

So I think as you with every passing year that number will only increase as I see it. But even after if I were to scope it over a 5 to 7 year period, given the importance of our base business, that base business will still be important. I would probably safely hazard a number of around 20%-25% of the freshness index.

Viraj Mithani: Okay, thank you and all the best, sir. Thank you for the opportunity. Very much.

Moderator: Thank you. Ladies and gentlemen, that was our last question. On behalf of GlaxoSmithKline Pharmaceuticals Limited, we conclude this conference. Thank you for joining us. You may now disconnect.