

**Price:** 901

**Recommendation:** Buy

**Industry:** Pharmaceuticals

**Sector:** Healthcare

**Report Date:** 03-Apr-2025

Zydus Lifesciences Limited is a dynamic company focused on growth and profitability, as highlighted in its recent earnings call. With consolidated revenues of 52.7 billion, a 17% increase, and a net profit rise of 30% to 10.2 billion, Zydus is expanding its market presence. The company is diversifying into consumer snacking and investing in innovation, including a Phase II(b) clinical trial for ALS. Zydus aims to enhance its global footprint and product pipeline, particularly in oncology and nephrology.

Sales		Profit & Loss		Profitability Matrix	
Current Year	12629 Cr	Operating Profit(Year)	5533 Cr	Operating Profit Margin	43.8 %
Previous Year	8732 Cr	Operating Profit(Quarter)	648 Cr	EBITDA Margin	40.62 %
Current Quarter	2516 Cr	PAT (Year)	3438 Cr	Net Profit Margin	31.8 %
Previous Quarter	2621 Cr	PAT (Quarter)	471 Cr	EPS	43.4
Revenue (QYoY)	2371 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	20.8	Sales Growth	25.5 %	Sales Growth	-4.01 %
PEG Ratio	1.07	PAT Growth	112.09 %	Sales Growth QYoY	6.12 %
EV/EBITDA	14.9	EPS Growth	26.9 %	PAT Growth	-40.38 %
P/B	5.07	Dividend Yield	0.33	PAT Growth QYoY	4.67 %
Capital Allocation		Holdings		Leverage	
RoE	23.4 %	Promoter	75.0 %	Debt/Equity	0.27
RoA	15.4 %	FII	7.53 %	Debt	4780 Cr
RoCE	22.9 %	DII	10.6 %	Market Cap	90672 Cr
RoIC	36.2 %	Public	6.85 %	Enterprise value	95365 Cr
		No of Shares	101 Cr	Cash Equivalents	87.1 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

Zydus Lifesciences Limited's recent earnings call highlighted several strategic initiatives and business strategies aimed at sustaining growth and enhancing profitability. The company reported a strong financial performance with consolidated revenues of 52.7 billion, marking a 17% year-on-year increase. The EBITDA for the quarter was 13.9 billion, reflecting a 26% growth, and the net profit rose by 30% to 10.2 billion. The US formulations business, a significant revenue driver, accounted for 47% of the consolidated revenues, with a 31% year-on-year growth. The company launched five new products, including the Sitagliptin 505(b)(2) franchise, and secured a formulary agreement with CVS Caremark, enhancing its market presence.

Zydus is actively pursuing diversification and innovation to strengthen its market position. The company has entered the consumer snacking space by acquiring Natural (India) Pvt. Ltd., expanding its portfolio with nutrition bars and health food products. In the specialty segment, Zydus is focusing on the 505(b)(2) products portfolio and rare disease assets, aiming to address unmet healthcare needs globally. The company is also investing in its innovation pipeline, with FDA approval for a Phase II(b) clinical trial of Usnoflast, a novel NLRP3 inflammasome inhibitor for ALS, which has received orphan drug designation. These initiatives underscore Zydus's commitment to leveraging its innovation engine to enhance stakeholder value.

Looking ahead, Zydus is poised for future growth and scaling, with plans to expand its presence in key geographies and therapy areas. The company is focusing on building a robust pipeline of novel and differentiated products, particularly in the oncology and nephrology therapies. Zydus is also exploring opportunities in the medical devices sector, aiming to establish a new business leg. The company anticipates a higher capex cycle to support these growth initiatives, with plans to acquire commercially capable assets in the US to synergize with its orphan and rare disease launches. This strategic focus on innovation and expansion positions Zydus for sustainable growth.

While Zydus's growth trajectory is promising, there are areas for improvement. The company could enhance its execution in the US market, particularly in managing inventory and optimizing product launches. Additionally, while the consumer wellness business has shown robust growth, further diversification and innovation in this segment could bolster its market position. The company's focus on innovation and strategic partnerships is commendable, but maintaining a balance between R&D; investments and profitability will be crucial. Overall, Zydus's strategic initiatives and growth plans reflect a strong commitment to addressing diverse healthcare needs and enhancing its market presence.

ZYDUSLIFE 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
<b>Dr Reddy's Labs</b>	96125.07	17.86	21.39%	4.27%	15.81%	11.83%	1.69%
<b>Lupin</b>	95668.63	33.32	14.14%	1.67%	10.97%	0.30%	39.48%
<b>Zydus Lifesci.</b>	90601.35	20.76	23.42%	-4.00%	6.10%	-40.42%	4.48%
<b>Aurobindo Pharma</b>	68964.99	19.47	11.53%	2.34%	8.53%	3.50%	-9.69%
<b>Sun Pharma.Inds.</b>	425282.03	36.04	16.69%	2.89%	10.46%	4.30%	22.66%

Aspect	Commentary
<b>Revenue</b>	The company shows a robust revenue increase, with a significant year-on-year growth, indicating strong market demand and effective sales strategies. The quarterly revenue, however, shows a slight decline, suggesting potential seasonal variations or market challenges that need addressing to maintain consistent growth.
<b>Profit &amp; Loss</b>	The profit and loss statement reflects a healthy operating profit and net profit, with substantial year-on-year growth. This indicates efficient cost management and strong revenue generation. However, the quarterly figures suggest a need for strategies to stabilize profits across quarters.
<b>Profitability Matrix</b>	The profitability metrics are strong, with high operating and net profit margins, indicating efficient operations and cost management. The EPS is also favorable, suggesting good returns for shareholders. These metrics highlight the company's ability to generate profit from its operations.
<b>Valuation Matrix</b>	The valuation metrics suggest the company is reasonably valued with a moderate P/E ratio and a PEG ratio close to 1, indicating balanced growth expectations. The EV/EBITDA and P/B ratios are within acceptable ranges, suggesting the company is valued fairly in the market.
<b>Growth (YoY)</b>	Year-on-year growth metrics are impressive, with significant increases in sales, PAT, and EPS, reflecting strong business performance and market expansion. The dividend yield, though modest, indicates a commitment to returning value to shareholders while reinvesting in growth.
<b>Growth (QoQ)</b>	Quarter-on-quarter growth shows a decline in sales and PAT, indicating potential short-term challenges. However, the year-on-year quarterly growth remains positive, suggesting underlying strength. Addressing quarterly fluctuations could stabilize growth patterns.
<b>Capital Allocation</b>	The capital allocation metrics are strong, with high returns on equity, assets, and capital employed, indicating efficient use of resources. The return on invested capital is particularly high, reflecting effective investment strategies and strong operational performance.
<b>Holdings</b>	The holdings structure shows a high promoter holding, indicating confidence in the company's prospects. Institutional holdings are also significant, suggesting strong market trust. The public holding is relatively low, which might limit liquidity but ensures stability.
<b>Leverage</b>	The leverage metrics indicate a conservative financial structure with a low debt-to-equity ratio, suggesting prudent financial management. The company's market cap and enterprise value are robust, reflecting strong market confidence and financial health.

**Analyst viewpoint:** Zydus Lifesciences is showing remarkable resilience and fortitude in the pharmaceutical sector, driven by its innovative approach and robust capital allocation. The company's YoY revenue growth of 17% underscores a strong market demand and sound sales strategies, and its PAT increase by 30% reflects efficient cost management and operational proficiency. Zydus has maintained a strong capital allocation strategy, evidenced by a Return on Equity of 23.4% and a healthy Return on Invested Capital of 36.2%. Their strategic initiative to diversify into consumer snacking and a rigorous innovation pipeline, such as the recent Phase II(b) clinical trial approval, positions them well against peers like Dr. Reddy's Labs and Lupin, both of which exhibit lower recent growth metrics in revenue and profitability.

Despite a slight QoQ decline in sales, Zydus continues to outperform in sectoral competition with a balanced P/E ratio of 20.8 and a commendable PEG ratio near unity. The launch of five new products, alongside a formulary agreement with CVS Caremark, demonstrates robust expansion capabilities in therapeutics. Price stability presents a stable investment outlook, although maintaining inventory and product launch efficiency, particularly in the US market, remains a focus area. Their prudent financial management, illustrated by a low debt-to-equity ratio of 0.27, coupled with promising global expansion plans in therapeutics like oncology and nephrology, fortify our bullish stance, while mindful of the necessity for effective quarterly performance stabilization.

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (hereinafter referred to as the Regulations).

1. GOALZEN CAPITAL SERVICES PRIVATE LIMITED is a SEBI-Registered Research Analyst having SEBI registration number INH000013448. GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"), the research entity, is engaged in providing research services on securities and information on personal financial products. This Research Report (called Report) is prepared and distributed by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with brand name 'GoalFi' (brand name trademarked to research analyst and company director 'Robin Arya') and used by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with mutual consent.

2. GOALZEN CAPITAL SERVICES PRIVATE LIMITED, its partners, employees, directors or agents, do not have any material adverse disciplinary history as on the date of publication of this report.

3. I, Robin Arya, author/s and the name/s in this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any financial interest in the subject company.

4. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.

5. I, Robin Arya, do not hold this stock as part of my investment portfolio at the date of recommendation. I/analysts in the Company have not traded in the subject stock thirty days preceding this research report and will not trade within five days of publication of the research report as required by regulations.

6. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received any compensation from the subject company in the past twelve months. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not been engaged in market making activity for the subject company.

7. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

#### Analyst Certification:

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

**Disclaimers:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.

The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of GOALZEN CAPITAL SERVICES PRIVATE LIMITED. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject GOALZEN CAPITAL SERVICES PRIVATE LIMITED to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees responsible for any such misuse and further agrees to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of GOALZEN CAPITAL SERVICES PRIVATE LIMITED only.

GOALZEN CAPITAL SERVICES PRIVATE LIMITED has a contractual arrangement with a vendor - Smallcase Technologies Private Limited (STPL) whereby STPL provides technology solutions and related back-end infrastructure along with support for back-office related operations & processes. STPL does not provide any investment advice or recommendation nor does it make any claim of returns or performance with respect to any advice or recommendation.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Terms & Conditions:**

These Terms and Conditions govern the use of the research subscription services provided by GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"). By subscribing to our services, you agree to these terms, if you disagree with any part of the terms, you must not use our services.

**Payment and Renewal:**

The subscription fee is non-refundable. No such requests over email or any other channel requesting for refund or for pro-rata refund will be acknowledged if smallcase constituents or research provided is accessed by the user. Please do not subscribe if you disagree with any part of the terms. Subscription renewals will be charged the standard rate unless otherwise notified.

**Limitation of Liability:**

GoalFi provides research based on data and analysis. The subscriber acknowledges that all investment decisions carry inherent risks, and GoalFi shall not be liable for any losses incurred based on our research.

**No Investment Advice:**

The content provided under the subscription is purely for informational purposes and should not be construed as investment advice. GoalFi, being a SEBI Registered Research Analyst (RA), provides research insights and not investment advisory services.

**Termination:**

GoalFi reserves the right to terminate the subscription at any time due to non-compliance with these terms or any other reasons deemed appropriate by us and no refund will be made.

**No Guarantee:** While we strive to provide accurate and reliable research, there is no guarantee on the returns or performance of the recommendations. Investing in securities involves risks, and there's the potential for losing money.

**Review and Update:** Our research products are reviewed and updated periodically to reflect the latest market conditions and insights. However, market conditions can change rapidly, and there's no guarantee that the conditions on which recommendations and insights are based will remain the same.

**Research Analyst Details:**

Name: Robin Arya

Email: [smallcase@goalfi.in](mailto:smallcase@goalfi.in)

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – [support@goalfi.in](mailto:support@goalfi.in)

Customer having any query/feedback/ clarification/ In case of grievances for any of the services rendered by GOALZEN CAPITAL SERVICES PRIVATE LIMITED, write to [hello@goalfi.app](mailto:hello@goalfi.app)

Website: [goalfiresearch.smallcase.com](http://goalfiresearch.smallcase.com)