

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

Aspect	Commentary
Revenue	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.
Profit & Loss	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.
Profitability Matrix	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.
Valuation Matrix	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.
Growth (YoY)	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.
Growth (QoQ)	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.
Capital Allocation	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.
Holdings	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.
Leverage	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.

