

February 6, 2025

Q3FY25 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,050		1,050	
Sales (Rs. m)	2,44,477	2,50,312	2,43,239	2,49,044
% Chng.	0.5	0.5		
EBITDA (Rs. m)	67,243	59,277	67,075	58,797
% Chng.	0.3	0.8		
EPS (Rs.)	46.2	41.2	47.2	41.7
% Chng.	(2.1)	(1.3)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,95,474	2,29,596	2,44,477	2,50,312
EBITDA (Rs. m)	53,033	67,212	67,243	59,277
Margin (%)	27.1	29.3	27.5	23.7
PAT (Rs. m)	38,365	46,925	46,457	41,426
EPS (Rs.)	38.1	46.6	46.2	41.2
Gr. (%)	96.4	22.3	(1.0)	(10.8)
DPS (Rs.)	4.5	5.0	5.0	5.0
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	20.5	21.4	17.9	13.9
RoCE (%)	23.1	25.9	22.0	16.6
EV/Sales (x)	5.0	4.2	3.8	3.6
EV/EBITDA (x)	18.5	14.2	13.8	15.2
PE (x)	25.6	20.9	21.2	23.7
P/BV (x)	5.0	4.1	3.5	3.1

Key Data ZYDU.BO | ZYDUSLIF IN

52-W High / Low	Rs.1,324 / Rs.754
Sensex / Nifty	78,271 / 23,696
Market Cap	Rs.983bn/ \$ 11,240m
Shares Outstanding	1,006m
3M Avg. Daily Value	Rs.1125.15m

Shareholding Pattern (%)

Promoter's	74.98
Foreign	7.53
Domestic Institution	10.61
Public & Others	6.88
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.1	(20.4)	28.4
Relative	1.3	(19.9)	17.7

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Guided high single digit growth in US in FY26

Quick Pointers:

- R&D spend remain higher at 9.8% of sales
- Other expenses included Rs950mn of non-recurring expenses.

Zydu Lifesciences (ZYDUSLIF) Q3 adjusted EBITDA for one offs was below our estimate led by lower GMs and higher R&D spend. We believe the company's steady domestic franchise, strong balance sheet and potential new launches in the US will help negate pricing pressure and likely competition in some key products like gAsacol. Moreover, ZYDUSLIF is working on a robust pipeline of complex products, including injectables, 505(b)2, transdermals, NCE, biosimilars and vaccines, which are expected to materialize over the next 2-3 years. Mgmt have guided for 2-3 high value launches over F27/28, which will keep momentum in US sales healthy. Our FY26/27E EPS stands broadly remains unchanged. We maintain our 'Accumulate' rating with TP of Rs1,050, valuing at 25x FY27E EPS.

- **In-line revenues; US was flat QoQ:** ZYDUSLIF showed revenue growth of 17% YoY to Rs52.7bn, in line with our est. Domestic formulation delivered growth of 5% YoY vs our est of 9%. Consumer business grew by 13% YoY. US sales came in at \$285mn (our est \$280mn) vs \$288mn in Q2FY25. Emerging markets were up by 15% YoY. API markets also remained higher YoY; up 19%.
- **Lower GMs and higher R&D spend impacted EBITDA:** EBITDA, including other operating income, came in at Rs12bn; up 11% YoY. Mgmt cited Rs950mn one off expenses related to provision of incentives, certain legal and professional fees and GST payment. Adjusted for these, EBITDA came in at Rs13bn vs our estimate of Rs13.5bn. OPM of 23%, down 420bps QoQ. GMs remained impacted down by 210bps QoQ to 69.1% due to change in business and product mix. R&D expenses came in higher at Rs5bn (9.8% of revenue), up 60% YoY. There was forex gain to the tune of Rs 1.9bn. Tax came in lower at 15%. Reported PAT at Rs10.2bn vs our est of Rs9bn.
- **Key concall takeaways: India formulation:** Key therapies such as Cardiology, Gastro-Intestinal, Respiratory, Anti-infectives and super specialty therapy of Oncology outperformed industry growth. Retained its leadership position in nephrology. Chronic portfolio share increased to 42.4%. In consumer health segment both the personal care segment and food & nutrition segment performed well aided by higher volumes. **US:** Base business continues to grow. Launched 5 new products in Q3FY25 which include all 3 brands of Sitagliptin 505(b)(2) franchise. Filed 10 ANDAs and received approval for 3 ANDAs during Q3. **gMyrbetriq** witnessed qoq increase and likely to continue to deliver growth till FY26 as ongoing litigation will take few quarters to play out. **gAsacol-** Impact of competition was seen in Q3FY25 and will intensify once CGT exclusivity gets over with likely one more player. Entered into an agreement with CVS Caremark to add Zituvio, Zituvimet and Zituvimet XR tablets to its formulary from Jan 2025. Guided high single digit growth in US in FY26. Company will 2-3 high value launches in FY27/28 such as glbrance,

gAdempas where company has sole FTF exclusivity with partner. During Q3, USFDA has accepted NDA filing and granted priority review to CUTX101. Company aims to build specialty pipeline and likely approval for CUTX101 will be positive. **Other highlights:** Capex for 9MFY25 amounted to Rs 9bn. R&D spend was higher, aided by higher clinical trials. Net Cash at Rs 31bn as of Q3FY25.

Exhibit 1: 3QFY25 Result Overview: Revenues in line, GMs lower

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	52,691	45,052	17.0	52,370	0.6	1,67,136	1,40,136	19.3
Raw Material	15,834	14,685	7.8	14,714	7.6	46,409	46,167	0.5
<i>% of Net Sales</i>	<i>30.1</i>	<i>32.6</i>		<i>28.1</i>		<i>27.8</i>	<i>32.9</i>	
Personnel Cost	9,465	8,173	15.8	8,792	7.7	27,092	23,006	17.8
<i>% of Net Sales</i>	<i>18.0</i>	<i>18.1</i>		<i>16.8</i>	<i>7.0</i>	<i>16.2</i>	<i>16.4</i>	
Others	15,342	11,376	34.9	14,704	4.3	46,333	34,182	35.5
<i>% of Net Sales</i>	<i>29.1</i>	<i>25.3</i>		<i>28.1</i>		<i>27.7</i>	<i>24.4</i>	
Total Expenditure	40,641	34,234	18.7	38,210	6.4	1,19,834	1,03,355	15.9
EBITDA	12,050	10,818	11.4	14,160	(14.9)	47,302	36,781	28.6
<i>Margin (%)</i>	<i>22.9</i>	<i>24.0</i>		<i>27.0</i>		<i>28.3</i>	<i>26.2</i>	
Depreciation	2,290	1,948	17.6	2,336	(2.0)	6,779	5,588	21.3
EBIT	9,760	8,870	10.0	11,824	(17.5)	40,523	31,193	29.9
Other Income	2,401	583	311.8	1,136	111.4	3,917	1,984	97.4
Interest	320	198	61.6	251	27.5	893	466	91.6
PBT	11,841	9,255	27.9	12,709	(6.8)	43,547	32,711	33.1
Extra-Ord. Inc./Exps.	-	-	#DIV/0!	-	#DIV/0!	-	142	(100.0)
Total Taxes	1,795	2,138	(16.0)	3,731	(51.9)	9,887	6,563	50.6
<i>ETR (%)</i>	<i>15.2</i>	<i>23.1</i>		<i>29.4</i>		<i>22.7</i>	<i>20.1</i>	
Minority interest	192	561		131		(114)	518	
Reported PAT	10,238	7,678	33.3	9,109	12.4	33,546	26,524	26.5

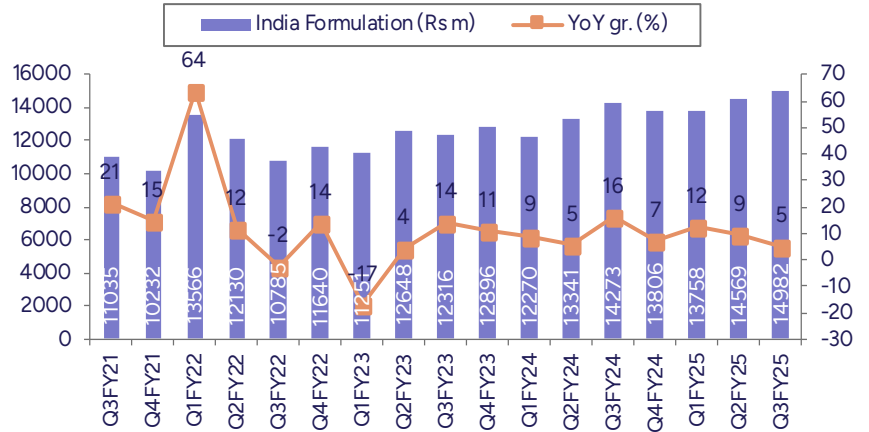
Source: Company, PL

Exhibit 2: Healthy growth across EM markets; US remain flat QoQ

Major Sources of Revenues	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Domestic	19,470	18,247	6.7	19,444	0.1	61,038	55,146	10.7
<i>% of Net Sales</i>	<i>38.0</i>	<i>42.0</i>		<i>38.0</i>		<i>37.5</i>	<i>40.4</i>	
Formulation	14,982	14,273	5.0	14,569	2.8	43,309	39,884	8.6
<i>% of Net Sales</i>	<i>29.2</i>	<i>32.9</i>		<i>28.5</i>		<i>26.6</i>	<i>29.2</i>	
Consumer HC & Others	4,488	3,974	12.9	4,875	(7.9)	17,729	15,262	16.2
<i>% of Net Sales</i>	<i>8.8</i>	<i>9.1</i>		<i>9.5</i>		<i>10.9</i>	<i>11.2</i>	
Exports	31,765	25,190	26.1	31,692	0.2	1,01,798	81,405	25.1
<i>% of Net Sales</i>	<i>62.0</i>	<i>58.0</i>		<i>62.0</i>		<i>62.5</i>	<i>59.6</i>	
Formulation	29,798	23,364	27.5	29,557	0.8	95,593	75,950	25.9
<i>% of Net Sales</i>	<i>58.2</i>	<i>53.8</i>		<i>57.8</i>		<i>58.7</i>	<i>55.6</i>	
North America	24,096	18,427	30.8	24,168	(0.3)	79,193	61,616	28.5
EU & LatAM	5,702	4,937	15.5	5,389	5.8	16,400	14,334	14.4
API	1,703	1,431	19.0	1,194	42.6	4,312	4,222	2.1
JV	264	395	(33.2)	941	(71.9)	1,893	1,233	53.5

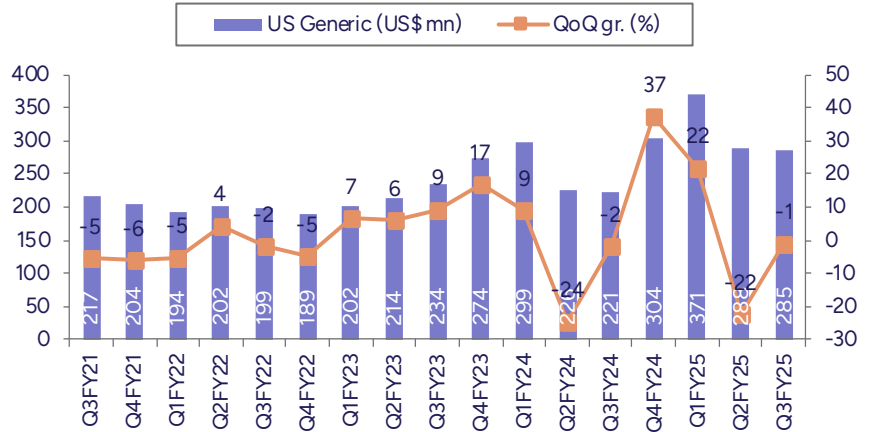
Source: Company, PL

Exhibit 3: Sustained growth momentum from chronic portfolio



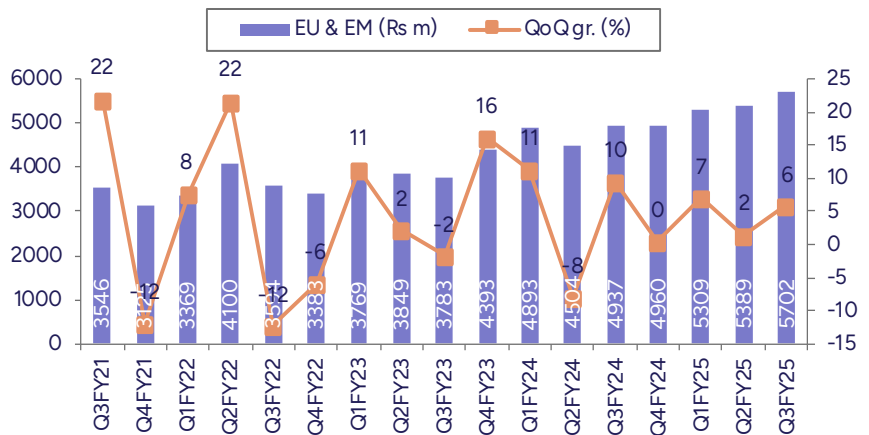
Source: Company, PL

Exhibit 4: Flattish growth QoQ



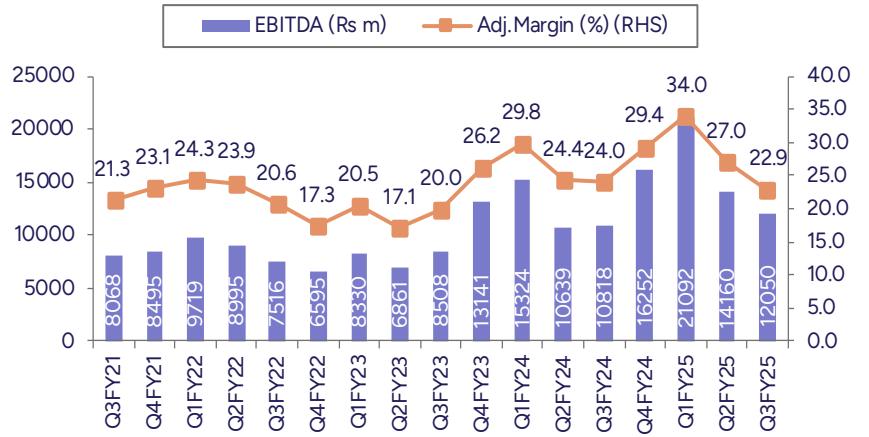
Source: Company, PL

Exhibit 5: Growth trajectory continues



Source: Company, PL

Exhibit 6: Lower GMs and higher R&D spend impacted margins



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,95,474	2,29,596	2,44,477	2,50,312
YoY gr. (%)	13.4	17.5	6.5	2.4
Cost of Goods Sold	62,282	64,354	71,024	77,767
Gross Profit	1,33,192	1,65,241	1,73,453	1,72,545
Margin (%)	68.1	72.0	70.9	68.9
Employee Cost	31,376	36,710	40,381	43,611
Other Expenses	8,895	10,871	11,732	12,644
EBITDA	53,033	67,212	67,243	59,277
YoY gr. (%)	48.3	26.7	0.0	(11.8)
Margin (%)	27.1	29.3	27.5	23.7
Depreciation and Amortization	7,641	8,900	9,345	9,812
EBIT	45,392	58,312	57,898	49,465
Margin (%)	23.2	25.4	23.7	19.8
Net Interest	812	1,100	800	600
Other Income	3,651	4,728	3,300	5,000
Profit Before Tax	48,089	61,940	60,398	53,865
Margin (%)	24.6	27.0	24.7	21.5
Total Tax	9,775	14,866	13,892	12,389
Effective tax rate (%)	20.3	24.0	23.0	23.0
Profit after tax	38,314	47,075	46,507	41,476
Minority interest	1,133	1,150	1,150	1,150
Share Profit from Associate	1,184	1,000	1,100	1,100
Adjusted PAT	38,365	46,925	46,457	41,426
YoY gr. (%)	95.3	22.3	(1.0)	(10.8)
Margin (%)	19.6	20.4	19.0	16.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	38,365	46,925	46,457	41,426
YoY gr. (%)	95.3	22.3	(1.0)	(10.8)
Margin (%)	19.6	20.4	19.0	16.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	38,365	46,925	46,457	41,426
Equity Shares O/s (m)	1,006	1,006	1,006	1,006
EPS (Rs)	38.1	46.6	46.2	41.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	2,10,452	2,22,452	2,37,452	2,52,452
Tangibles	1,07,931	1,14,085	1,21,778	1,29,471
Intangibles	1,02,521	1,08,367	1,15,674	1,22,981
Acc: Dep / Amortization	73,649	82,549	91,894	1,01,706
Tangibles	51,209	57,398	63,896	70,718
Intangibles	22,440	25,151	27,998	30,988
Net fixed assets	1,36,803	1,39,903	1,45,558	1,50,746
Tangibles	56,722	56,688	57,883	58,753
Intangibles	80,081	83,215	87,675	91,993
Capital Work In Progress	11,115	11,115	11,115	11,115
Goodwill	-	-	-	-
Non-Current Investments	12,205	12,205	12,205	12,205
Net Deferred tax assets	11,977	11,977	11,977	11,977
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	34,419	43,516	46,371	47,408
Trade receivables	52,202	59,057	62,932	64,339
Cash & Bank Balance	11,051	32,687	57,441	82,636
Other Current Assets	-	-	-	-
Total Assets	2,76,366	3,18,911	3,58,092	3,93,167
Equity				
Equity Share Capital	1,006	1,006	1,006	1,006
Other Equity	1,97,289	2,38,349	2,78,841	3,14,302
Total Network	1,98,295	2,39,355	2,79,847	3,15,308
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	7,045	7,045	7,045	7,045
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	7,686	4,686	1,686	686
Trade payables	21,267	25,752	27,441	28,055
Other current liabilities	31,329	31,329	31,329	31,329
Total Equity & Liabilities	2,76,366	3,18,911	3,58,092	3,93,167

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	55,874	69,912	70,543	64,277
Add. Depreciation	7,641	8,900	9,345	9,812
Add. Interest	812	1,100	800	600
Less Financial Other Income	3,651	4,728	3,300	5,000
Add. Other	(8,553)	(7,972)	(10,145)	(10,412)
Op. profit before WC changes	55,774	71,940	70,543	64,277
Net Changes-WC	(8,711)	(11,467)	(5,040)	(1,831)
Direct tax	(12,858)	(14,866)	(13,892)	(12,389)
Net cash from Op. activities	34,205	45,607	51,612	50,057
Capital expenditures	(9,066)	(12,000)	(15,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	(3,173)	-	-	-
Net Cash from Inv. activities	(12,239)	(12,000)	(15,000)	(15,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(4,274)	(4,857)	(5,043)	(3,247)
Dividend paid	(6,210)	(6,015)	(6,015)	(6,015)
Interest paid	(812)	(1,100)	(800)	(600)
Others	(5,350)	-	-	-
Net cash from Fin. activities	(16,646)	(11,972)	(11,858)	(9,862)
Net change in cash	5,320	21,636	24,754	25,195
Free Cash Flow	25,139	33,607	36,612	35,057

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	55,338	62,075	52,370	52,691
YoY gr. (%)	10.4	20.8	19.9	17.0
Raw Material Expenses	16,115	15,861	14,714	15,834
Gross Profit	39,223	46,214	37,656	36,857
Margin (%)	70.9	74.4	71.9	69.9
EBITDA	16,252	21,092	14,160	12,050
YoY gr. (%)	23.7	37.6	33.1	11.4
Margin (%)	29.4	34.0	27.0	22.9
Depreciation / Depletion	2,053	2,153	2,336	2,290
EBIT	14,199	18,939	11,824	9,760
Margin (%)	25.7	30.5	22.6	18.5
Net Interest	346	322	251	320
Other Income	1,564	632	682	575
Profit before Tax	15,417	19,249	12,255	10,015
Margin (%)	27.9	31.0	23.4	19.0
Total Tax	3,212	4,361	3,731	1,795
Effective tax rate (%)	20.8	22.7	30.4	17.9
Profit after Tax	12,205	14,888	8,524	8,220
Minority interest	467	437	(131)	(192)
Share Profit from Associates	-	-	-	-
Adjusted PAT	11,738	14,451	8,655	8,412
YoY gr. (%)	228.5	29.6	20.3	12.6
Margin (%)	21.2	23.3	16.5	16.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,738	14,451	8,655	8,412
YoY gr. (%)	228.5	29.6	20.3	12.6
Margin (%)	21.2	23.3	16.5	16.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,738	14,451	8,655	8,412
Avg. Shares O/s (m)	1,025	1,025	1,025	1,025
EPS (Rs)	11.5	13.9	8.9	10.0

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	38.1	46.6	46.2	41.2
CEPS	45.7	55.5	55.5	50.9
BVPS	197.1	237.9	278.2	313.4
FCF	25.0	33.4	36.4	34.8
DPS	4.5	5.0	5.0	5.0
Return Ratio(%)				
RoCE	23.1	25.9	22.0	16.6
ROIC	17.1	20.4	19.3	15.9
RoE	20.5	21.4	17.9	13.9
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	122	122	122	122
Valuation(x)				
PER	25.6	20.9	21.2	23.7
P/B	5.0	4.1	3.5	3.1
P/CEPS	21.4	17.6	17.6	19.2
EV/EBITDA	18.5	14.2	13.8	15.2
EV/Sales	5.0	4.2	3.8	3.6
Dividend Yield (%)	0.5	0.5	0.5	0.5

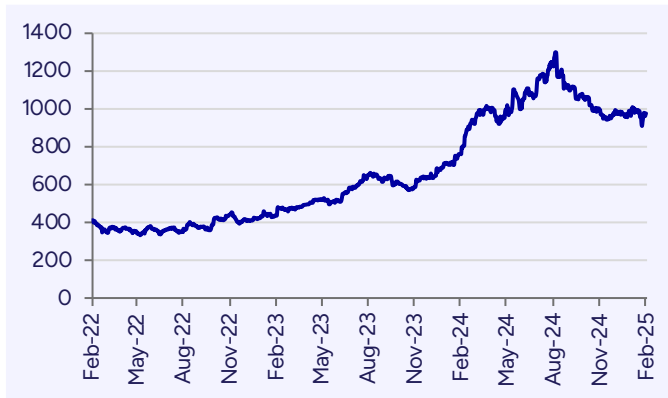
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
US Formulations	86,851	1,08,362	1,10,101	1,01,032
Domestic Formulations	53,690	58,522	64,960	72,105
Consumer Healthcare	23,017	26,470	29,646	33,203
Export Formulations (ex-US)	19,294	21,944	24,544	27,452
API	5,658	5,997	6,477	6,995
Income from JVs	1,705	2,500	2,750	3,025

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Accumulate	1,050	1,001
2	13-Nov-24	Accumulate	1,050	949
3	07-Oct-24	Accumulate	1,305	1,057
4	12-Aug-24	Accumulate	1,305	1,301
5	08-Jul-24	Accumulate	1,130	1,162
6	20-May-24	Accumulate	1,130	1,104
7	08-Apr-24	Accumulate	855	1,007
8	11-Feb-24	Accumulate	855	804

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,000	7,437
2	Aster DM Healthcare	BUY	620	469
3	Aurobindo Pharma	Accumulate	1,475	1,298
4	Cipla	BUY	1,730	1,421
5	Divi's Laboratories	Accumulate	6,250	5,884
6	Dr. Reddy's Laboratories	Reduce	1,335	1,289
7	Eris Lifesciences	BUY	1,450	1,230
8	Fortis Healthcare	BUY	710	735
9	HealthCare Global Enterprises	BUY	535	488
10	Indoco Remedies	Hold	325	343
11	Ipca Laboratories	Accumulate	1,700	1,736
12	J.B. Chemicals & Pharmaceuticals	BUY	2,250	1,896
13	Jupiter Life Line Hospitals	BUY	1,660	1,565
14	Krishna Institute of Medical Sciences	BUY	675	649
15	Lupin	BUY	2,420	2,359
16	Max Healthcare Institute	BUY	1,300	1,061
17	Narayana Hrudayalaya	BUY	1,420	1,351
18	Rainbow Children's Medicare	BUY	1,785	1,552
19	Sun Pharmaceutical Industries	BUY	2,275	1,744
20	Sunteck Realty	BUY	700	494
21	Torrent Pharmaceuticals	Accumulate	3,750	3,248
22	Zydus Lifesciences	Accumulate	1,050	1,001

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

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