

21 May 2025

India | Equity Research | Results Update

Zydus Lifesciences

Pharma

Headwinds in US to curtail margins

Zydus Lifesciences' (Zydus) Q4FY25 revenue gained with healthy traction in US (+20%), domestic branded formulation (+10.7%) and its consumer business (+17.1%). US growth was driven by Mirabegron and other products while gRevlimid sales were low. Exclusive products (USD 300mn FY25 sales) in US have bumped up EBITDA margins by ~230bps YoY (890bps over FY23–25) to ~30% in FY25. As pricing competition intensifies in gRevlimid in FY26 and uncertainty prevails in Mirabegron (next trial in Feb'26), management expects EBITDA margins to shrink ~350bps to ~26% in FY26. Management guides for double-digit revenue growth in FY26 aided by acquisition, better traction in India branded biz and vaccine biz. We cut FY26E/FY27E earnings by ~3% to factor in lower margins. Retain **HOLD** with a lower TP of INR 910, based on 22x FY27E earnings.

Operationally in-line; India and US drive growth

Zydus' Q4FY25 revenue was up 18% YoY (23.9% QoQ) to INR 65.3bn (I-Sec: INR 64.6bn) driven by US/India consumer businesses. Gross margin expanded ~300bps YoY (390bps QoQ) to 73%. R&D cost rose 36.5% YoY (-4.6% QoQ) to INR 4.8bn and stood at 7.4% of sales vs. 6.4% in Q4FY24 and 9.5% in Q3FY25. EBITDA grew 33.2% YoY to INR 21.6bn (I-Sec: INR 22.2bn). EBITDA margins surged 380bps YoY (846bps QoQ) to 33.2% due to a dip in employee cost (I-Sec: 34.3%). Adjusted for impairment charge on goodwill and technical know-how of INR 2.2bn, PAT came in at INR 13.9bn (I-Sec: INR 15.8bn), up 18% YoY.

Revlimid muted; Mirabegron drives growth in US

Domestic formulation business grew 10.7% YoY to INR 15.4bn driven by pillar brands and innovation product portfolio. We expect the segment to grow at a CAGR of 10% over FY25–27E driven by new NCE launches and better traction in existing pillar brands. Consumer business revenue was up 17.1% YoY at INR 9.1bn driven by 13% volume growth and acquisition of Naturell. US sales grew a strong 19.4% YoY (27.4% QoQ) to USD 363mn (I-Sec USD 365mn). Sequential growth was driven by Mirabegron and other new launches. Revenue for Revlimid was flat QoQ, as supplies were pushed to Q1FY26 for better rates negotiation. In Q4, it launched five new products in US. In FY25, it filed 27 ANDAs and received approval for 24 new products (incl. 5 tentative approvals). We factor in a 3.7% CAGR for US business over FY25–27E. EMs and Europe grew 11.8% YoY to INR 5.5bn led by growth across key geographies. APIs declined 10.2% YoY to INR 1.3bn.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	1,95,474	2,32,415	2,59,109	2,82,282
EBITDA	53,533	69,901	68,604	66,410
EBITDA Margin (%)	27.4	30.1	26.5	23.5
Net Profit	38,461	45,122	43,742	41,485
EPS (INR)	38.2	44.9	43.5	41.2
EPS % Chg YoY	74.9	17.3	(3.1)	(5.2)
P/E (x)	23.2	19.6	20.3	21.4
EV/EBITDA (x)	17.0	12.4	12.3	12.4
RoCE (%)	17.9	18.9	15.1	12.8
RoE (%)	20.6	20.6	17.0	14.1

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Market Data

Market Cap (INR)	889bn
Market Cap (USD)	10,380mn
Bloomberg Code	ZYDUSLIF IN
Reuters Code	ZYDU BO
52-week Range (INR)	1,324 /795
Free Float (%)	25.0
ADTV-3M (mn) (USD)	16.2

Price Performance (%)	3m	6m	12m
Absolute	(1.8)	(6.8)	(20.0)
Relative to Sensex	(9.0)	(11.4)	(29.7)

ESG Score	2023	2024	Change
ESG score	70.3	67.8	-2.5
Environment	64.9	63.3	-1.6
Social	58.2	57.4	-0.8
Governance	80.4	80.3	-0.1

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	9.0	12.8
EBITDA	0.8	0.9
EPS	(3.4)	(3.5)

Previous Reports

06-02-2025: [Q3FY25 results review](#)

13-11-2024: [Q2FY25 results review](#)

Valuation and risks

Zydus' US sales growth in Q4FY25 was likely to be driven by Mirabegron and sitagliptin 505(b)(2) product. Sales of gRevlimid is likely to be spread across remaining quarters in CY25, as the company has started facing pricing pressure in this product. The company's outperformance in the last two years has been on the back of exclusive launches (30% of US sales) in the US market, which may have a hit a trough in FY25. Management believes US sales of gRevlimid have peaked out in FY25; and due to pricing pressure, it was not able to supply higher quantities in Q4FY25. Besides, continuation of supplies of Mirabegron shall be contingent on the company winning the on-going litigation (next hearing in Feb'26). Management expects high single-digit growth in US in FY26 and further sizeable exclusive launches for US are lined up in FY27. For India and emerging markets, it has developed a novel dosage of Semaglutide and is planning to launch it in India and other markets in the first wave of launch. Besides, its India pipeline includes a few more NCE products, which it may launch in FY26.

Windfall from exclusive products in US had helped the company in paring debt (net cash balance of INR ~48.8bn at the end of FY25). R&D (~8% of overall sales) for development of NCEs and complex generic products may curb margins in the near term, but are required for long-term sustainability of the business. Acquisition of Amplitude Surgical (to be completed in H2FY26) paves Zydus' entry in the medtech segment in India and may require further investment to strengthen its presence in this segment. Besides, the company may pursue M&A in US specialty and India branded generics spaces to further improve scale.

We cut FY26E/FY27E earnings by ~3% each to factor in lower margins. At CMP, the stock trades at valuations of 20.3x FY26E and 21.4x FY27E earnings, and EV/EBITDA of 12.3x FY26E and 12.4x FY27E. Maintain **HOLD** with a lower target price of INR 910 (INR 1,000), based on 22x FY27E EPS (earlier 22x FY26E EPS).

Upside risks: Better-than-expected sales in non-exclusive products; and slower price erosion in US.

Downside risks: More products under price control in India; competition in US; and regulatory hurdles.

Q4FY25 conference call highlights

India branded formulations

- Branded biz growth in Q4 and FY25 was driven by higher uptick in pillar brands and innovation product portfolio.
- Chronic therapies now account for 43% of sales (up from 39% in FY22).
- Innovation portfolio has witnessed volume and value-led growth. Momentum is likely to continue in FY26.
- Management plans to launch more differentiated products in FY26.
- Domestic branded business is likely to grow ahead of market's growth rate in FY26.
- The company has developed a novel dosage of semaglutide, which it would launch at the time of market formation in India and other markets. The company may also out-license this product to other companies.

India consumer

- Consumer business growth was aided by 13% growth in volumes.
- Personal care segment, consisting of Nycil and Everyuth, achieved doubled-digit growth.
- Food and consumer portfolio growth was driven by recently acquired Naturell.

US

- US formulations business growth was driven by volume expansion and new product launches. Sequential growth was driven by Mirabegron and other new launches. gRevlimid revenue was flat QoQ.
- In FY25, it filed 27 ANDAs and received approval for 24 new products (incl. 5 tentative approvals). Launched 17 new products in the generic space.
- It has launched all 3 brands of Sitagliptin 505(b)(2) franchise; Zituvio, Zituvimet and Zituvimet XR tablets and is one of its key launches for FY25. Zydus has a 5-year national contract for Sitagliptin. Traction shall further improve in FY26.
- Zydus would continue to sell Mirabegron in the US until the court order in the upcoming trial in Feb'26 restricts it to sell.
- gRevlimid was not a major contributor to US growth in Q4FY25. Supplies of this product has been pushed to Q1FY26, as the company is facing pricing pressure.
- Revlimid revenue has peaked in FY25.
- Ahead, base biz is likely to sustain a USD 1bn revenue run-rate. Overall US business will likely grow in high single-digits in FY26.
- Witnessing traction in base business led by healthy new business opportunities and uptick in the portfolio.
- Mesalamine shall continue to be a meaningful product for the company.
- Peptide product such as liraglutide, semaglutide and tirzepatide are filed, or under development. They company may add a few peptides to its pipeline in the near term.
- The company is in the process of filing two sizeable 505 b(2) products, which may be launched in FY28.
- 14-15 material new launches lined up for FY27, which should help the company offset the impact of the dip in sales of gRevlimid. These include exclusive and semi-exclusive products and a mix of oral solids and injectables.

Amplitude acquisition

- Zydus has forayed into medtech biz through acquisition of Amplitude Surgical. The acquisition is likely to close by H2FY26 and shall be EPS accretive.
- Amplitude Surgical had revenue of EUR 100mn and has a superior margin profile.
- Launch of products in nephrology and cardiology segments and consolidation of Amplitude Surgical would be of prime focus for the company in the medtech segment ahead.
- Management aspires to grow its presence in the medtech segment significantly in the years ahead.

NCE and specialty initiatives

- Data monitoring and follow-up on going for Saroglitazar Magnesium post the completion of patient recruitment for Phase II(b)/ III clinical trials for PBC indication and Phase II(b) clinical trials MASH indication for the US market. They would be launching it themselves for the PBC indication in the US market.
- Usnoflast received USFDA approval to conduct Phase II(b) clinical trials in patients with ALS. It has also granted Orphan drug designation status for ALS indication.
- It has received approval to initiate Phase II clinical trials for Bivalent TCV vaccine.
- Acquired Zokenvi last year and is looking to acquire more specialty and NCE products.
- It has entered into an exclusive agreement with Zhuhai Beihai Biotech for BEIZRAY (albumin solubilized cocetaxel injection), a 505(B)(2) product for the US market.
- It also entered into an exclusive agreement with Synthon for a novel 505(B)(2) oncology product. NDA for the product is likely to be filed in 2026.
- The company has received regulatory approval to initiate Phase II clinical trials for Bivalent TCV vaccine.

Q4FY25 financials

- Improved product mix and price increase in wellness and reduction of cost in few products drove expansion in gross and EBITDA margins.
- It has a net cash balance of INR 48.8bn at end of FY25.
- The company had recorded exceptional cost of INR 2.1bn in the quarter pertaining to impairment of rotigotine, which they had acquired from Teva (under litigation), and impaired goodwill of an acquisition done in Brazil.

Guidance

- Management guided for an overall double-digit revenue growth in FY26.
- EBITDA margins will likely be ~26% in FY26 impacted by lower revenue share of Revlimid and Asacol in US and higher R&D expenses of Saraglitazar clinical trial.
- R&D expenses shall be 8% of sales in FY26.
- Zydus is a key contender in the MR vaccine in India and also has opportunity to participate in the UNICEF tender along with tenders in Egypt. Ramp-up in the vaccine portfolio is expected to happen in FY26.

Exhibit 1: Quarterly review

Y/E Mar (INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Net Sales	65,279	55,338	18.0	52,691	23.9	2,25,738	1,90,215	18.7
EBITDA	21,649	16,252	33.2	13,017	66.3	69,901	53,533	30.6
EBITDA Margins (%)	33.2	29.4	380%	24.7	846%	31.0	28.1	-344%
Other Income	806	1,564	(48.5)	575	40.2	2,695	2,841	(5.1)
Interest	766	346	121.4	320	139.4	1,659	812	(60.6)
Depreciation	2,379	2,053	15.9	2,290	3.9	9,158	7,641	19.9
PBT	16,720	15,470	8.1	11,841	41.2	60,267	48,089	25.3
Tax	4,232	3,212	31.8	1,795	135.8	14,119	9,775	44.4
Tax Rate (%)	25.3	20.8		15.2		23.4	20.3	
PAT	12,488	12,258	1.9	10,046	24.3	46,148	38,314	20.4
Minority Int/Others	779	435	79.1	(189)	(512.2)	(893)	281	
Net Income	11,709	11,823	(1.0)	10,235	14.4	45,255	38,595	17.3
Adj. PAT	13,905	11,781	18.0	8,048	72.8	45,122	38,461	17.3
NPM (%)	17.9	21.4		19.4		20.0	20.3	

Source: Company data, I-Sec research

Exhibit 2: Business mix

INR mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
India Formulations	12,648	12,316	12,896	12,270	13,341	14,273	13,912	13,758	14,569	15,145	15,394	10.7	1.6
India Consumer	4,227	4,120	7,075	6,936	4,352	3,974	7,755	8,366	4,875	4,488	9,081	17.1	102.3
Exports	20,894	22,576	27,303	29,933	23,491	23,759	30,667	36,926	30,498	30,062	37,137	21.1	23.5
US	17,084	19,250	22,525	24,541	18,648	18,427	25,235	30,929	24,168	24,096	31,307	24.1	29.9
Europe & EM's	3,308	3,078	4,393	4,893	4,504	4,937	4,960	5,309	5,389	5,702	5,547	11.8	(2.7)
Alliances & JV	502	248	385	499	339	395	472	688	941	264	283	(40.0)	7.2
API	1,117	1,881	1,251	1,389	1,402	1,431	1,436	1,415	1,194	1,703	1,290	(10.2)	(24.3)
Total	38,886	40,893	48,525	50,528	42,586	43,437	53,770	60,465	51,136	51,398	62,902	17.0	22.4
US sales (USD mn)	214	235	275	298	225	221	304	371	288	285	363	19.4	27.4

Source: Company data, I-Sec research

Exhibit 3: Key growth drivers of domestic business in Q4FY25

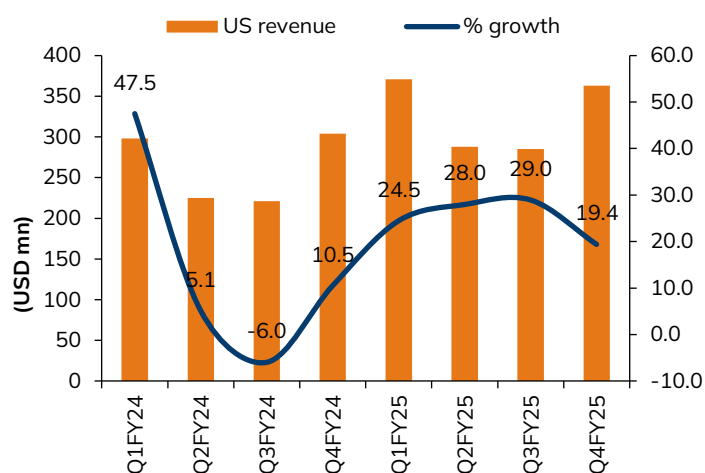
Brands (INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	MAT MAR'25	MAT MAR'24	YoY (%)
Deriphyllin	556	580	-4.2	472	17.8	2,094	2,182	-4.0
Lipaglyn	601	344	74.6	632	-4.8	2,084	1,297	60.7
Atorva	485	423	14.8	455	6.6	1,743	1,732	0.7
Thrombophob	401	413	-3.0	419	-4.5	1,622	1,568	3.4
Amicin	283	351	-19.4	397	-28.8	1,330	1,393	-4.5
Monotax	359	312	15.1	390	-7.9	1,293	997	29.8
Formonide	320	311	3.2	296	8.3	1,195	1,191	0.3
Vivitra	262	209	25.8	288	-8.8	1,155	859	34.5
Skinlite	269	296	-9.1	247	9.1	1,076	1,141	-5.6
Dexona	268	277	-3.2	279	-3.9	1,036	1,084	-4.4

Source: IQVIA

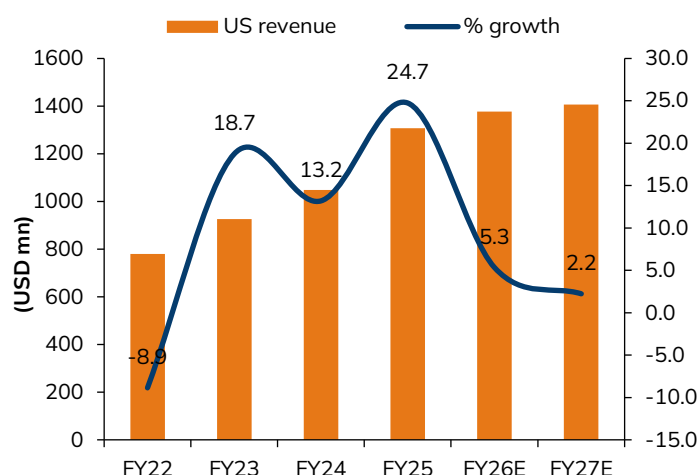
Exhibit 4: Growth profile of key therapies in India

Therapies (INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	MAT MAR'25	MAT MAR'24	YoY (%)
Cardiac	2,542	2,027	25.4	2,502	1.6	9,875	8,144	21.3
Respiratory	2,529	2,367	6.9	2,497	1.3	9,200	8,725	5.5
Anti-Infectives	2,174	1,853	17.3	2,212	-1.7	8,822	7,615	15.8
Gastro Intestinal	1,546	1,509	2.4	1,521	1.6	6,523	6,123	6.5
Pain / Analgesics	1,297	1,154	12.4	1,278	1.5	5,177	4,879	6.1
Antineoplast / Immunomodulator	1,340	1,115	20.2	1,275	5.1	5,237	4,242	23.5
Gynaec.	1,101	1,117	-1.4	1,085	1.4	4,463	4,436	0.6
Derma	977	1,004	-2.7	1,011	-3.4	4,044	3,911	3.4
Vitamins/Minerals/Nutrients	575	582	-1.2	533	8.0	2,334	2,366	-1.4
Hormones	539	492	9.5	564	-4.4	2,224	2,108	5.5

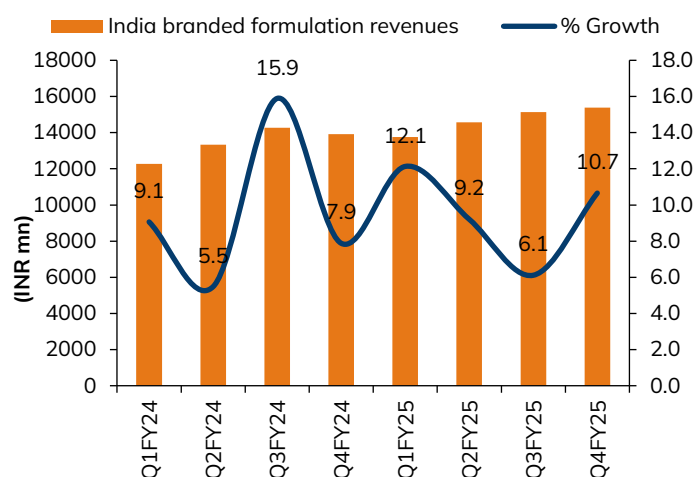
Source: IQVIA

Exhibit 5: Sequential growth was driven by Mirabegron and other new launches

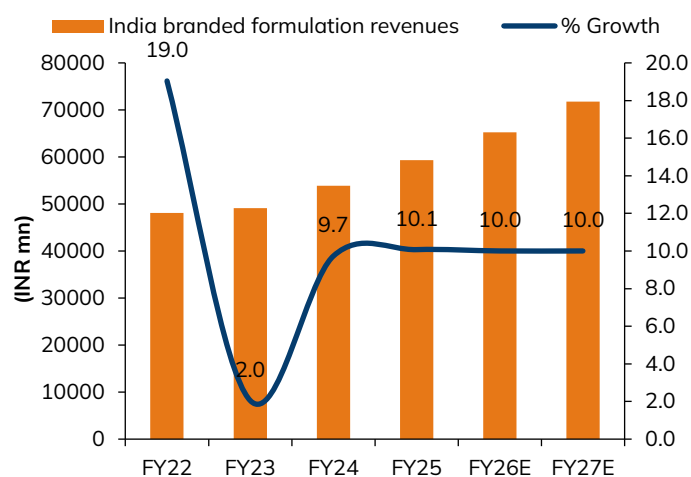
Source: I-Sec research, Company data

Exhibit 6: US sales growth has likely peaked in FY25

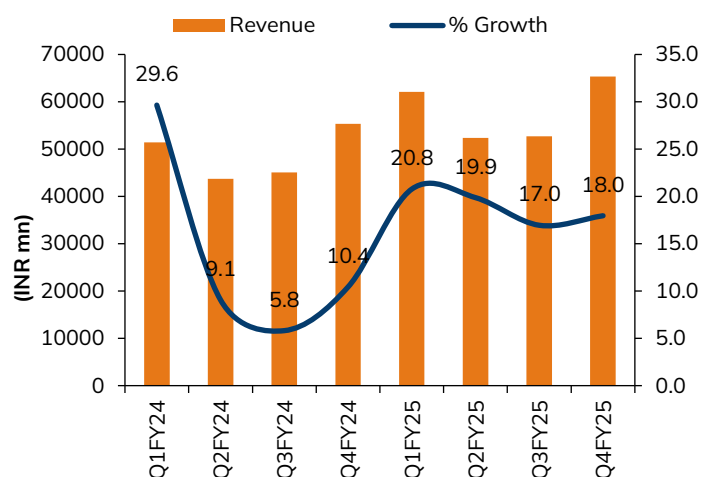
Source: I-Sec research, Company data

Exhibit 7: Domestic revenue grew 10.7% YoY driven by pillar brands and innovation portfolio

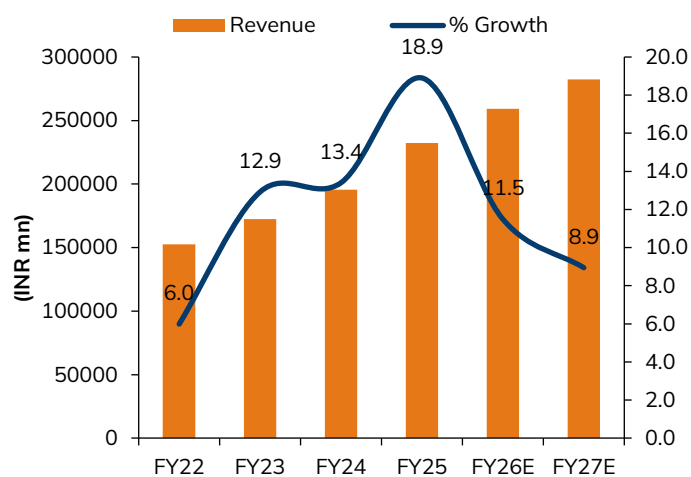
Source: I-Sec research, Company data

Exhibit 8: Traction in acute portfolio to drive 10.0% CAGR in India revenue over FY25-27E

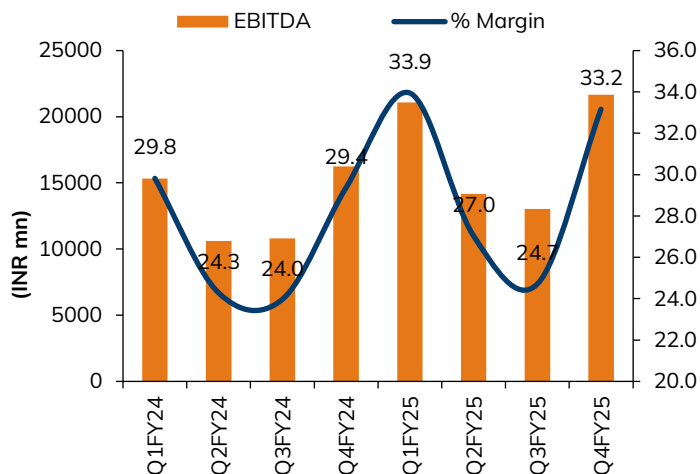
Source: I-Sec research, Company data

Exhibit 9: Growth driven by US, domestic formulation and consumer business

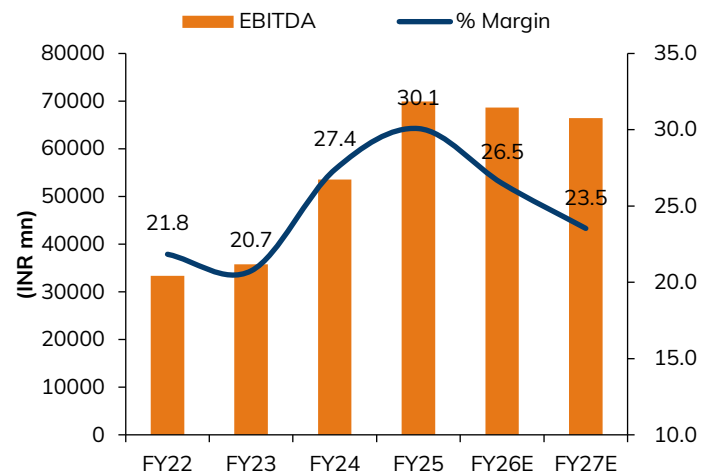
Source: I-Sec research, Company data

Exhibit 10: Revenue CAGR likely at 10.2% over FY25-27E

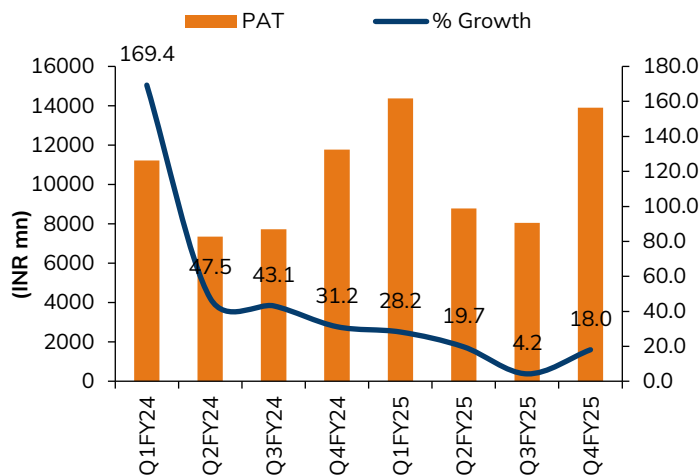
Source: I-Sec research, Company data

Exhibit 11: Margins expanded 380bps YoY

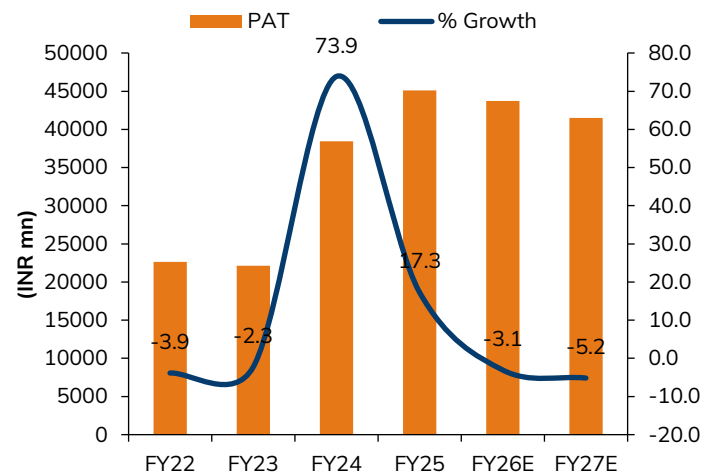
Source: I-Sec research, Company data

Exhibit 12: EBITDA margins peaked in FY25 led by exclusivities

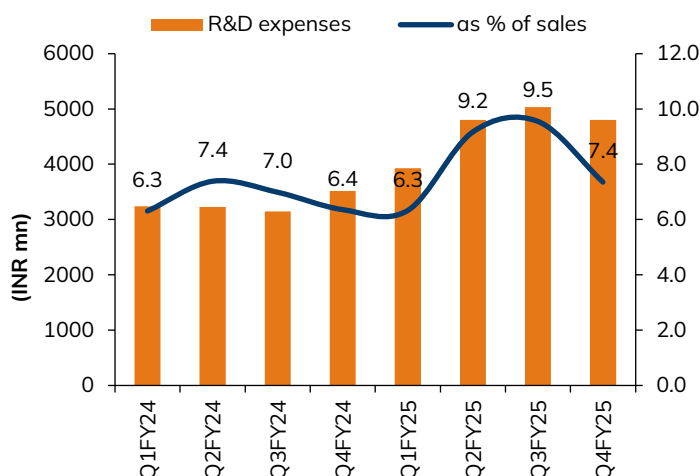
Source: I-Sec research, Company data

Exhibit 13: PAT grew at ~18.0% YoY

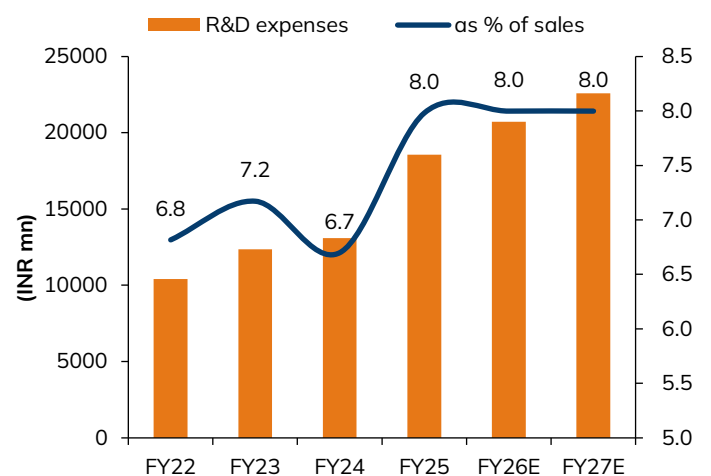
Source: I-Sec research, Company data

Exhibit 14: Net profit to moderate going ahead

Source: I-Sec research, Company data

Exhibit 15: R&D spending surged ~37% YoY in Q4FY25

Source: I-Sec research, Company data

Exhibit 16: R&D spending to remain at 8% of sales over next few years

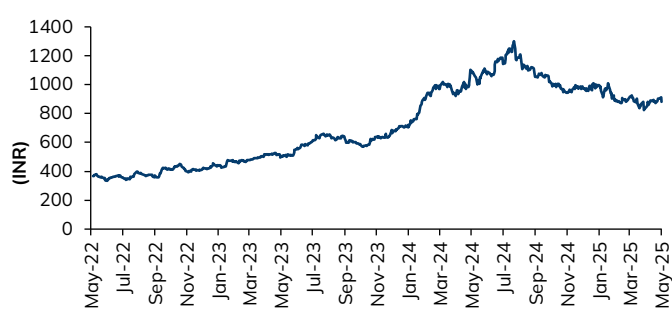
Source: I-Sec research, Company data

Exhibit 17: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	75.0	75.0	75.0
Institutional investors	18.3	18.0	18.1
MFs and others	6.8	6.3	6.4
FIs/Banks	-	0.1	0.1
Insurance	3.9	4.1	4.4
FIIIs	7.6	7.5	7.3
Others	6.7	7.0	6.9

Source: Bloomberg

Exhibit 18: Price chart



Source: Bloomberg

Financial Summary

Exhibit 19: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	1,95,474	2,32,415	2,59,109	2,82,282
Operating Expenses	1,41,941	1,62,514	1,90,505	2,15,872
EBITDA	53,533	69,901	68,604	66,410
EBITDA Margin (%)	27.4	30.1	26.5	23.5
Depreciation & Amortization	7,641	9,158	10,178	11,308
EBIT	45,892	60,743	58,426	55,102
Interest expenditure	812	1,659	1,659	1,659
Other Non-operating Income	2,841	2,695	2,995	3,195
Recurring PBT	47,921	61,779	59,762	56,638
Profit / (Loss) from Associates	1,184	578	578	578
Less: Taxes	9,775	14,119	14,941	14,159
PAT	38,314	46,148	44,822	42,478
Less: Minority Interest	1,133	1,471	1,658	1,571
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	38,365	45,255	43,742	41,485
Net Income (Adjusted)	38,461	45,122	43,742	41,485

Source Company data, I-Sec research

Exhibit 20: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	1,12,489	1,21,950	1,63,307	1,99,202
of which cash & cash eqv.	11,051	29,568	51,979	77,918
Total Current Liabilities & Provisions	45,628	58,605	69,591	76,329
Net Current Assets	66,861	63,345	93,715	1,22,873
Investments	8,043	52,647	52,647	52,647
Net Fixed Assets	58,033	60,420	77,537	84,153
ROU Assets	-	-	-	-
Capital Work-in-Progress	24,233	26,919	26,919	26,919
Total Intangible Assets	65,652	70,917	60,722	59,898
Other assets	7,339	15,317	15,620	15,884
Deferred Tax Assets	16,442	23,438	23,438	23,438
Total Assets	2,47,180	3,13,412	3,51,055	3,86,309
Liabilities				
Borrowings	8,042	32,132	32,132	32,132
Deferred Tax Liability	4,465	5,126	5,126	5,126
provisions	3,097	3,839	3,839	3,839
other Liabilities	10,560	8,731	9,734	10,604
Equity Share Capital	1,006	1,006	1,006	1,006
Reserves & Surplus	1,97,289	2,38,525	2,75,165	3,09,548
Total Net Worth	1,98,295	2,39,531	2,76,171	3,10,554
Minority Interest	22,721	24,053	24,053	24,053
Total Liabilities	2,47,180	3,13,412	3,51,055	3,86,309

Source Company data, I-Sec research

Exhibit 21: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	42,607	68,301	46,357	49,598
Working Capital Changes	(3,832)	(20,405)	7,307	2,653
Capital Commitments	28,343	19,496	17,100	17,100
Free Cashflow	14,264	48,805	29,257	32,498
Other investing cashflow	(3,261)	51,873	-	-
Cashflow from Investing Activities	(25,082)	(71,369)	(17,100)	(17,100)
Issue of Share Capital	(6)	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(3,907)	24,090	-	-
Dividend paid	(3,018)	(4,024)	(4,024)	(4,024)
Others	(5,280)	1,519	(2,822)	(2,535)
Cash flow from Financing Activities	(12,211)	21,585	(6,846)	(6,559)
Chg. in Cash & Bank balance	5,314	18,517	22,411	25,939
Closing cash & balance	11,045	29,568	51,979	77,918

Source Company data, I-Sec research

Exhibit 22: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	38.1	45.0	43.5	41.2
Adjusted EPS (Diluted)	38.2	44.9	43.5	41.2
Cash EPS	45.8	54.0	53.6	52.5
Dividend per share (DPS)	3.0	4.0	4.0	4.0
Book Value per share (BV)	197.1	238.1	274.5	308.7
Dividend Payout (%)	7.9	8.9	9.2	9.7
Growth (%)				
Net Sales	13.4	18.9	11.5	8.9
EBITDA	49.7	30.6	(1.9)	(3.2)
EPS (INR)	74.9	17.3	(3.1)	(5.2)
Valuation Ratios (x)				
P/E	23.2	19.6	20.3	21.4
P/CEPS	19.3	16.4	16.5	16.8
P/BV	4.5	3.7	3.2	2.9
EV / EBITDA	17.0	12.4	12.3	12.4
P / Sales	4.6	3.9	3.5	3.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	68.1	72.7	69.1	65.9
EBITDA Margins (%)	27.4	30.1	26.5	23.5
Effective Tax Rate (%)	20.3	23.4	25.0	25.0
Net Profit Margins (%)	19.7	19.4	16.9	14.7
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.1)	(0.2)	(0.2)	(0.3)
Net Debt / EBITDA (x)	(0.2)	(0.7)	(1.1)	(1.5)
Profitability Ratios				
RoCE (%)	17.9	18.9	15.1	12.8
RoE (%)	20.6	20.6	17.0	14.1
RoIC (%)	18.2	23.3	20.7	18.9
Fixed Asset Turnover (x)	3.4	3.9	3.8	3.5
Inventory Turnover Days	68	67	71	70
Receivables Days	104	69	72	72
Payables Days	42	39	47	49

Source Company data, I-Sec research

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