

# Research Report

## Zydus Lifesciences Limited



Prepared By-

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# About

In 1995, the group was restructured and thus was formed Cadila Healthcare under the aegis of the Zydus group. From a humble turnover Rs. 250 crores in 1995 the group witnessed a significant financial growth and registered a turnover of over Rs. 14,253 crores in FY20.

Adhering to its brand promise of being dedicated to life in all its dimensions, Zydus continues to innovate with an unswerving focus to address the unmet healthcare needs. Simultaneously it rededicates itself to its mission of creating healthier, happier communities across the globe

## Key Business

- NCE RESEARCH
- BIOLOGICS
- VACCINES

## Synopsis of Financials

- Consolidated revenues for Q1 FY25 stood at ₹62.1 billion, reflecting a 21% year-on-year (YoY) growth and a 12% quarter-on-quarter (QoQ) growth.
- EBITDA for the quarter was ₹20.8 billion, marking a 38% YoY increase and a 28% QoQ increase.
- EBITDA margin improved to 33.6%, up 430 basis points YoY and 410 basis points QoQ.
- Net profit reached ₹14.2 billion, up 31% YoY and 20% QoQ.

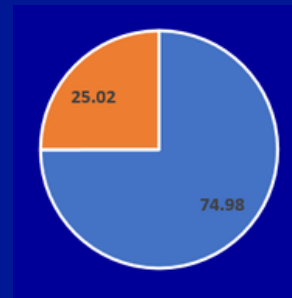
## Stock data (as 27th August 2024)

Nifty Price	: 25,314.25
52 week High (in Rs.)	: 1,324
52 week Low (in Rs.)	: 568
Market Cap. (in Crore)	: 1,14,187
NSE Code	: <a href="#">ZYDUSLIFE</a>

## Stock data



## Shareholding Pattern (June 2024)



## Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	19,547	17,237	15,110
Sales Growth %	13.40%	14.08%	4.90%
Expenses	14,163	13,378	11,768
Operating Profit	5,384	3,860	3,342
OPM %	28%	22%	22%
Net Profit	3,973	2,092	4,618
EPS in Rs	38.36	19.37	43.83

# Quarterly Results

Particular	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	4,257	5,011	5,140	4,369	4,505	5,534	6,208
Expenses	3,301	3,755	3,634	3,223	3,403	3,903	4,124
Operating Profit	956	1,256	1,505	1,146	1,102	1,630	2,084
OPM %	22%	25%	29%	26%	24%	29%	34%
Other Income	39	-566	21	53	60	160	63
Interest	33	28	18	9	20	35	32
Depreciation	182	179	180	184	195	205	215
Profit before tax	780	484	1,328	1,006	947	1,550	1,900
Tax %	25%	28%	16%	22%	23%	21%	23%
Net Profit	631	358	1,134	803	790	1,246	1,482

Source: Screener

## Key Ratios

Sr. No	Ratio	Numerator	Denominator	FY 23-24	FY 22-23	% Change
1	Current Ratio	Current Assets	Current Liabilities	3.11	2.57	21.3%
2	Debt-Equity Ratio	Total Debt	Shareholder's Equity	0.39	0.35	11.1%
3	Debt Service Coverage Ratio (S)	Earnings available for debt service @	Finance costs + Repayment of debt	4.60	2.24	105.5%
4	Return on Equity Ratio (#)	Net Profits after taxes @@	Average Shareholder's Equity	23.5%	12.9%	82.3%
5	Inventory turnover ratio (*)	Net Sales	Average Inventory	5.95	4.54	31.0%
6	Trade Receivables turnover ratio	Net Sales	Average Trade Receivables	2.50	2.91	-14.1%
7	Trade payables turnover ratio	Net Purchases and Other Expenses	Average Trade Payables	4.91	4.89	0.4%
8	Net capital turnover ratio	Net Sales	Average Working Capital	2.12	2.35	-9.7%
9	Net profit ratio (#)	Net Profits after taxes @@	Net Sales	33.4%	20.6%	62.5%
10	Return on Capital employed (#)	Earnings before interest and taxes	Average Capital Employed	22.9%	14.5%	57.7%

Source: Annual Report

# Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	101	101	102
Reserves	19,729	17,415	16,897
Borrowings	804	1,195	4,221
Other Liabilities	8,201	6,851	6,421
Total Liabilities	28,834	25,562	27,642
Fixed Assets	12,368	11,521	12,188
CWIP	2,423	1,201	726
Investments	1,220	1,547	3,288
Other Assets	12,822	11,294	11,439
Total Assets	28,834	25,562	27,642

# Synopsis Quarter Results

## Con-Call Q1 FY'24: Key Highlights

### Business Segments Performance:

- India branded formulations business grew by 13% YoY, outperforming market growth.
- Consumer wellness business recorded revenues of ₹8.4 billion, up 21% YoY, driven by a 17% volume growth.
- US formulations business accounted for 51% of consolidated revenues, with revenues of ₹30.9 billion, reflecting a 23% QoQ increase.
- International business revenues were ₹5.3 billion, up 9% YoY.

### Key Developments:

- Launched 10 new products in India, including three first-in-India launches.
- Retained leadership in nephrology and became the fastest growing Indian company in oncology.
- Seven new products launched in the US, including Zituvimet for metabolic disorder management and Mirabegron ER tablets.
- Filed five additional ANDAs and received approval for six ANDAs during the quarter.

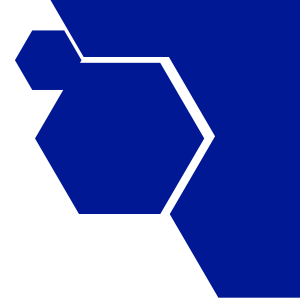
### Innovation and R&D:

- Completed patient recruitment for Phase II(b)/III clinical trials of Saroglitazar Magnesium for primary biliary cholangitis and metabolic dysfunction-associated steatohepatitis.
- Submitted a marketing authorization application for a monoclonal antibody to the Indian regulator.
- Initiated a Phase I clinical trial for an anti-properdin molecule in India.
- Received marketing approvals in Mexico for two biosimilars: Bhava™ (biosimilar of Bevacizumab) and Mamitra™ (biosimilar of Trastuzumab).

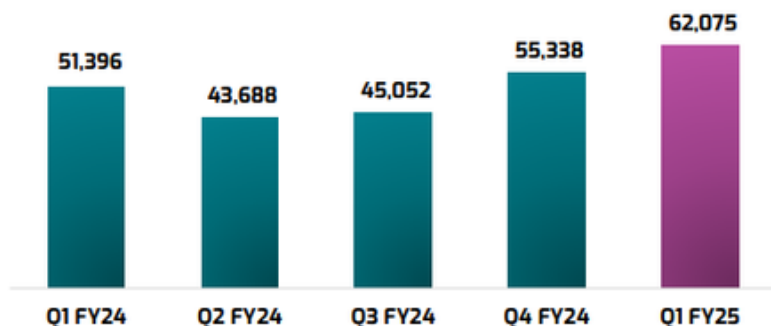
### Margin Guidance and Cost Management:

- Management expects EBITDA margin to improve by 100 to 150 basis points from FY24 margin.
- R&D expenditure is projected to be around 8% of sales for the full year.
- Operating costs for the quarter included a one-off increase of ₹125 crores due to various non-recurring expenses.

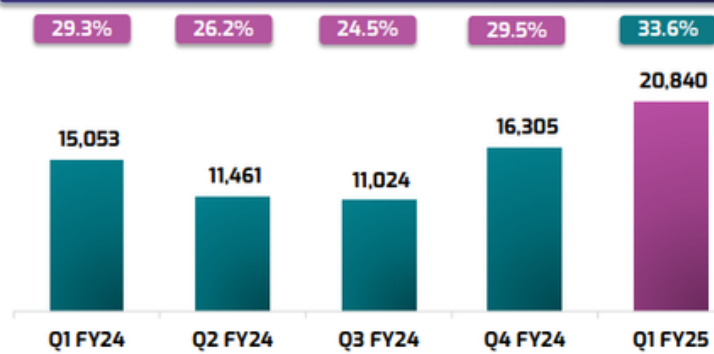
# Revenue Highlights



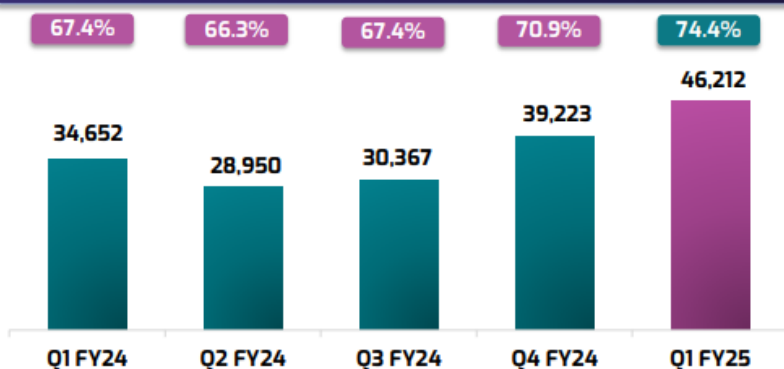
## Total Revenues (Rs. mn)



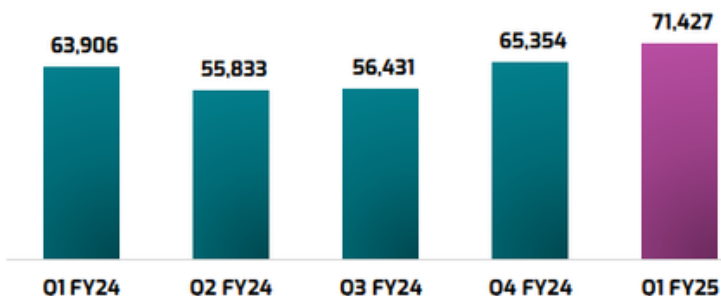
## EBITDA (Rs. mn) and EBITDA Margin %



## Gross Profit (Rs. mn) and Gross Margin %



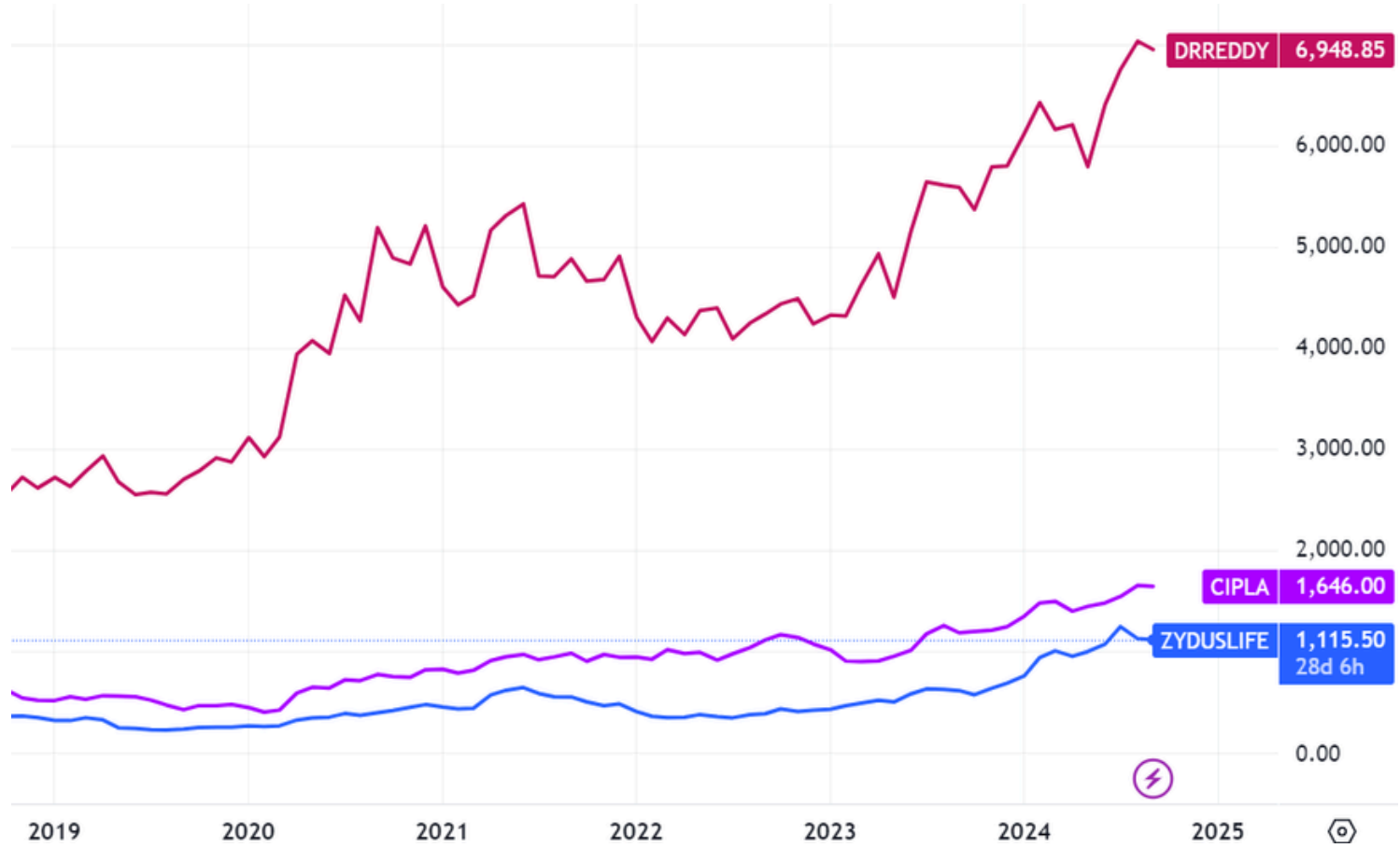
## Net Working Capital\* (Rs. mn)



# Peer Comparison



## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	<a href="#">Sun Pharma.Inds.</a>	1824.40	41.52	437734.67	0.73	2860.51	25.05	12652.75	5.96	17.32
2.	<a href="#">Cipla</a>	1667.30	30.38	134644.46	0.77	1175.46	18.05	6693.94	5.77	22.80
3.	<a href="#">Dr Reddy's Labs</a>	7024.00	21.07	117202.10	0.57	1392.40	-0.90	7696.10	13.88	26.53
4.	<a href="#">Zydus Lifesci.</a>	1134.80	27.40	114187.43	0.27	1482.50	29.66	6207.50	20.78	22.34
5.	<a href="#">Lupin</a>	2258.20	45.51	103004.94	0.36	805.54	77.18	5600.33	16.33	15.72

Source: Screener

# Final Outlook

**ZYDUSLIFE: HOLD | LTP: 1,135**

Zydus Lifesciences Ltd is currently in a strong uptrend, driven by robust financial performance and strategic growth in key markets. The company's stock is likely to continue its positive trajectory unless significantly impacted by global economic downturns or geopolitical instability. Investors should watch for any signs of weakening in the US market, given its importance to Zydus' revenue, as well as potential volatility from global events. The company has displayed commendable growth in Q1 FY25. However, it is trading at its all time high; therefore investors are recommended to hold the stock for future returns.

**Earnings Reports:** The major breakouts likely correspond with strong earnings reports or positive forward guidance from the company. Pharmaceutical companies often experience significant price movements based on drug approvals, partnerships, or positive clinical trial results.

**FDA Approvals/Clinical Trial Results:** Given that Zydus Lifesciences is a pharmaceutical company, any positive results from clinical trials or FDA approvals could have been a catalyst for the price movements.