Zydus Lifesciences | REDUCE

Strong quarter; US erosion remains key overhang

Zydus reported a strong Q4FY26 with revenue up 16% YoY. EBITDA fell by 12% YoY, but it was significantly ahead of expectations. PAT rose 9% YoY on account of elevated forex gains. EBITDA margin was 25.2%, down 800bps YoY (in line with estimates). Segmental growth was led by Consumer Wellness, up 61% YoY aided by the acquisition, followed by International markets and Indian business growing 45% and 14% YoY, respectively. With gRevlimed now in exit, US business remained weak, down 6% YoY. Despite multiple new launches, US growth could remain challenging as gRevlimed and Mirabegron, contributing to ~36% of US sales in our view, are expected to face sharp erosion amid rising competition. The resulting revenue and margin void is unlikely to be fully offset by new launches. Even after factoring in 17% CAGR in the non-US businesses, we expect revenue/EBITDA CAGR of 7%/-1% YoY over the next two years, which is unexciting. We value Zydus at 24x PE on Mar'28 EPS for a TP of INR 970. Maintain REDUCE.

- **North America – Specialty scale-up and portfolio diversification**: North America revenue was INR 29.5bn in Q4FY26, supported by base business expansion and new product launches. The company expects single-digit growth despite the elevated FY26 base and guided for a quarterly revenue run-rate above USD 300mn. Sequential growth during the quarter was supported by seasonal restocking, higher Mirabegron market share and continued specialty portfolio traction. The company filed three ANDAs, received nine approvals and launched six products during the quarter, while two additional 505(b)(2) dossiers were filed in Apr'26.

- **India – Chronic therapies and biosims driving growth**: Branded formulations delivered 15% YoY growth in 4Q and is expected to outperform IPM growth by 200–400bps in FY27. Chronic portfolio contribution increased by 620bps over the last three years to 46.3%. Domestic growth is being driven by differentiated products and biosimilar monetisation opportunities. During the quarter, Zydus launched the world's first biosimilar Nivolumab under the Tishtha brand, with pricing expected at nearly one-fourth of the innovator product. The company also launched the first indigenous biosimilar aflibercept under the Anyra brand for ophthalmology treatment.

- **Consumer Wellness – Nutrition and wellness portfolio expansion**: The consumer wellness business retained leadership positions across major categories. Skin and haircare brands grew 39.7% YoY, while food and nutrition brands grew 9.4% YoY. Seasonal products declined 9.8% YoY because of weaker demand. The Comfort Click acquisition delivered 31.4% like-to-like growth during the quarter and strengthened Zydus' international consumer wellness presence across the UK, EU and the US. The acquisition also increased participation in VMN globally. Management indicated that Comfort Click became EPS accretive in 4Q and integration has progressed smoothly. Consumer wellness strategy remains focused on adult nutrition, pediatric wellness, animal health and premium wellness categories through innovation and acquisitions.

- **International and Europe – Broad-based formulations and biosimilars expansion**: Growth remained broad-based across Europe and emerging markets, supported by therapy-led strategies tailored for local markets. Management highlighted that the Europe business had improved materially compared to its earlier trajectory, while newly launched countries scaled faster than internal expectations. International formulations momentum is expected to continue through FY27 and beyond. Biosimilar out-licensing and launches are expected to scale significantly in non-US markets over the next three years, with management expecting international biosimilars to become a meaningful growth contributor by FY29–FY30.

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Recommendation and Price Target	
Current Reco.	REDUCE
Previous Reco.	REDUCE
Current Price Target (12M)	970
Upside/(Downside)	-4.8%
Previous Price Target	865
Change	12.1%

Key Data – ZYDUSLIF IN EQUITY	
Current Market Price	INR1,019
Market cap (bn)	INR1,025.3/US$10.6
Free Float (%)	19.4
Shares in issue (mn)	1,006.2
Diluted share (mn)	1,006.2
3-mon avg daily val (mn)	INR767.6/US$8.0
52-week range	INR1,059/836
Sensex/Nifty	75,201/23,618
INR/US$	96.5

Price Performance

%	1M	6M	12M
Absolute	7.9	9.5	11.8
Relative*	12.7	24.7	20.7

*To the NSE Nifty 50

Financial Summary (INR mn)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	190,215	225,714	267,197	300,333	303,889
Sales Growth (%)	12.7	18.7	18.4	12.4	1.2
EBITDA	53,033	68,927	71,946	72,291	70,523
EBITDA Margin (%)	27.1	29.7	26.5	23.7	22.8
Adjusted Net Profit	37,323	46,849	54,595	38,843	39,368
Diluted EPS (INR)	37.1	46.6	54.3	38.6	39.1
Diluted EPS Growth (%)	51.8	25.5	16.5	-28.9	1.4
ROIC (%)	18.4	22.7	17.1	12.3	12.2
ROE (%)	20.0	21.4	21.4	13.5	12.3
P/E (x)	26.7	22.7	20.3	25.7	25.2
P/B (x)	5.2	4.3	3.8	3.4	3.0
EV/EBITDA (x)	19.7	14.6	15.2	14.8	14.6
Dividend Yield (x)	-	-	-	-	-

Source: Company data, JM Financial. Note: Valuations as of May 19, 2026

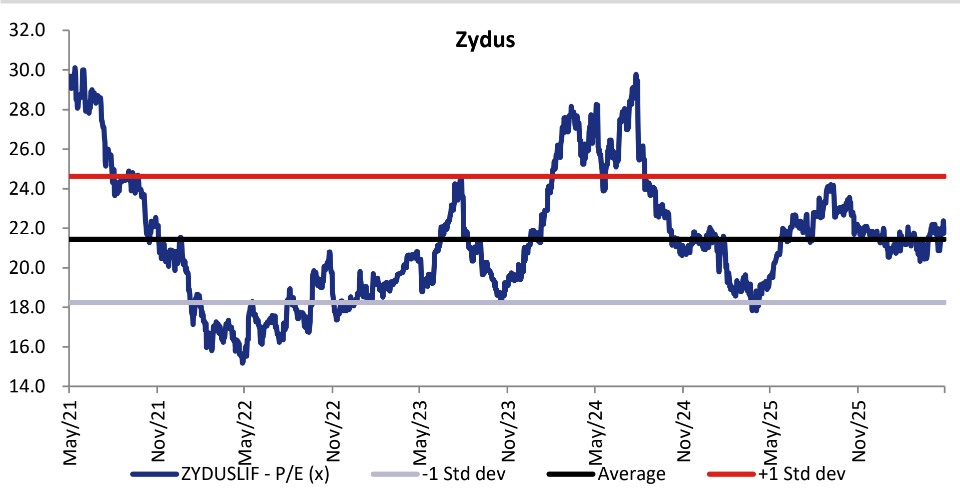
- **Semaglutide opportunity – gearing up on all fronts**: Semaglutide injections were launched under the Semaglyn, Mashima and Altame brands. Zydus entered co-marketing partnerships with Lupin and Torrent Pharmaceuticals to improve physician reach and market penetration, as Zydus alone could not adequately cover all prescribing specialties. Combined partnerships have already gained meaningful market share within the Indian semaglutide segment. Globally, Semaglutide reusable pen formulations are already under registration across more than 20 markets, with launches expected in select markets beginning FY27 or early FY28. Zydus is also pursuing multiple overseas partnerships and registrations for semaglutide commercialisation.

Exhibit 1: Q4FY26 review

Zydus Lifesciences P&L - in INR mn	4QFY25A	4QFY26	% YoY	4QFY26 JMFe	% Delta vs JMFe	4QFY25E (cons)	% Delta vs cons	3QFY26	% QoQ
Total Income	**65,279**	**75,870**	**16%**	**67,564**	**12%**	**70,244**	**8%**	**68,645**	**11%**
Raw material	16,971	19,763	16%	19,498	1%			18,363	8%
Gross Profit	48,308	56,107	16%	48,065				50,282	
Gross Profit (%)	74%	74.0%	**-5 bps**	71%	**281 bps**			73%	1%
Staff cost	9,714	12,388	28%	11,027	12%			11,397	9%
Mfg & Other expense	16,945	24,624	45%	21,340	15%			22,365	10%
EBITDA (excl. other income)	**21,649**	**19,095**	**-12%**	**15,698**	**22%**	**18,164**	**5%**	**16,520**	**16%**
% EBITDA Margin	**33.2%**	**25.2%**	**-800 bps**	**23.2%**	**193 bps**	**25.9%**	**-69 bps**	**24.1%**	**110 bps**
Other income	412	7,791		1,514				2,758	
Finance expenses	766	1,230		1,293				1,299	
Depreciation	2,379	5,084		3,562				3,596	
Exceptional items	-2,196	-3,975		0				-849	
Profit Before Tax (PBT)	16,720	16,597	-1%	12,357	34%			13,534	23%
Tax	4,232	3,184		3,027				3,883	
% Tax rate	25%	19%		25%				29%	
Minority interest	728	685		-550				-192	
JVs	-51	-3		-107				578	
Reported PAT	**11,709**	**12,725**	**9%**	**9,772**	**30%**	**9,464**	**34%**	**10,421**	**22%**
% Cost Ratios	**4QFY25A**	**4QFY26**	**% YoY**	**4QFY26**	**% Delta vs JMFe**			**3QFY26**	**% QoQ**
Raw Materials	26.0	26.0	5 bps	28.9	-281 bps			26.8	-70 bps
Staff cost	14.9	16.3	145 bps	16.3	1 bps			16.6	-27 bps
Mfg & Other expenses	26.0	32.5	650 bps	31.6	87 bps			32.6	-13 bps
Sales Break-up	**4QFY25A**	**4QFY26**	**% YoY**	**4QFY26**	**% Delta vs JMFe**			**3QFY26**	**% QoQ**
Formulations - Key Markets	**52,248**	**55,092**	**5%**	**50,987**	**8%**			**53,018**	**4%**
US	31,307	29,523	-6%	26,732	10%			28,043	5%
India	15,394	17,528	14%	16,735	5%			17,094	3%
International Markets	5,547	8,041	45%	7,521	7%			7,881	2%
Other Businesses and Alliances	**10,654**	**19,252**	**81%**	**15,670**	**23%**			**14,786**	**30%**
Consumer Wellness	9,081	14,633	61%	10,345	41%			9,578	53%
APIs	1,290	1,219	-6%	1,981	-38%			2,143	-43%
Alliances	283	125	-56%	344	-64%			69	81%
Medtech	-	3,275		3,000				2,996	

Source: Company, JM Financial

Exhibit 2: One-year forward P/E



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	190,215	225,714	267,197	300,333	303,889
Sales Growth (%)	12.7	18.7	18.4	12.4	1.2
Other Operating Income	5,259	6,677	4,287	4,716	5,187
Total Revenue	**195,474**	**232,391**	**271,484**	**305,049**	**309,076**
Cost of Goods Sold/Op. Exp	62,282	63,380	72,926	93,103	97,244
Personnel Cost	31,376	36,806	44,179	52,558	53,181
Other Expenses	48,783	63,278	82,433	87,097	88,128
EBITDA	**53,033**	**68,927**	**71,946**	**72,291**	**70,523**
EBITDA Margin (%)	27.1	29.7	26.5	23.7	22.8
EBITDA Growth (%)	48.3	30.0	4.4	0.5	-2.4
Depn. & Amort.	7,641	9,158	14,080	18,297	17,328
EBIT	45,392	59,769	57,866	53,994	53,195
Other Income	3,651	4,329	17,900	5,050	6,528
Finance Cost	812	1,659	4,389	6,140	6,119
PBT before Excep. & Forex	48,231	62,439	71,377	52,904	53,604
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	48,231	62,439	71,377	52,904	53,604
Taxes	9,775	14,119	15,947	13,226	13,401
Extraordinary Inc./Loss(-)	1,042	-1,618	-4,195	1,117	1,284
Assoc. Profit/Min. Int.(-)	1,133	1,471	835	835	835
Reported Net Profit	38,365	45,231	50,400	39,959	40,652
Adjusted Net Profit	**37,323**	**46,849**	**54,595**	**38,843**	**39,368**
Net Margin (%)	19.1	20.2	20.1	12.7	12.7
Diluted Share Cap. (mn)	1,006	1,006	1,006	1,006	1,006
Diluted EPS (INR)	**37.1**	**46.6**	**54.3**	**38.6**	**39.1**
Diluted EPS Growth (%)	51.8	25.5	16.5	-28.9	1.4
Total Dividend + Tax	-	-	-	-	-
Dividend Per Share (INR)	-	-	-	-	-

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Shareholders Fund	221,016	263,584	295,822	329,967	364,637
Share Capital	1,006	1,006	1,006	1,006	1,006
Reserves & Surplus	197,289	238,525	270,108	303,418	337,253
Preference Share Capital	-	-	-	-	-
Minority Interest	22,721	24,053	24,708	25,543	26,378
Total Loans	7,791	31,811	118,277	117,880	117,380
Def. Tax Liab. / Assets (-)	1,368	1,287	12,887	12,887	12,887
Other non-current liabilities / Lease Liabilities	10,811	9,052	17,452	17,801	18,157
Total - Equity & Liab.	**239,618**	**304,447**	**431,551**	**465,648**	**500,174**
Net Fixed Assets	147,918	158,256	278,043	275,746	269,417
Gross Fixed Assets	58,033	60,420	92,307	98,564	99,322
Intangible Assets	78,770	84,657	174,079	165,525	158,439
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	11,115	13,179	11,657	11,657	11,657
Investments	12,205	64,078	75,399	75,399	75,399
Current Assets	132,685	149,683	170,624	211,285	253,326
Inventories	34,419	39,440	56,281	63,239	64,074
Sundry Debtors	52,202	40,247	54,157	60,853	61,656
Cash & Bank Balances	11,051	29,568	14,166	41,173	81,576
Loans & Advances	15	771	37	37	37
Other Current Assets	34,998	39,657	45,983	45,983	45,983
Current Liab. & Prov.	48,725	62,444	75,175	79,442	80,629
Current Liabilities	41,463	50,791	57,772	61,290	61,712
Provisions & Others	7,262	11,653	17,403	18,153	18,917
Net Current Assets	63,764	59,506	66,128	102,522	143,376
Other Non Current Assets/ROU Assets	20,196	27,733	29,321	29,321	29,321
Total - Assets	**239,618**	**304,447**	**431,551**	**465,648**	**500,174**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Profit before Tax	48,381	60,267	66,211	52,904	53,604
Depn. & Amort.	7,641	9,158	14,080	18,297	17,328
Net Interest Exp. / Inc. (-)	-512	-251	55	4,322	2,823
Inc (-) / Dec in WCap.	-8,711	15,315	-26,237	-9,038	-95
Others	-1,662	1,341	-17,033	-8	-8
Taxes Paid	-12,858	-18,019	-15,910	-13,226	-13,401
Operating Cash Flow	**32,279**	**67,811**	**21,166**	**53,251**	**60,251**
Capex	-17,334	-21,241	-96,185	-16,000	-11,000
Free Cash Flow	14,945	46,570	-75,019	37,251	49,251
Inc (-) / Dec in Investments	237	1,774	1,369	-	-
Others	2,345	-64,256	11,855	1,000	2,478
Investing Cash Flow	**-14,752**	**-83,723**	**-82,961**	**-15,000**	**-8,522**
Inc / Dec (-) in Capital	-7,250	-	-	-	-
Dividend + Tax thereon	-6,210	-3,025	-11,063	-5,533	-5,533
Inc / Dec (-) in Loans	-3,915	24,062	72,668	-397	-500
Others	-729	-895	-3,536	-5,314	-5,293
Financing Cash Flow	**-18,104**	**20,142**	**58,069**	**-11,244**	**-11,326**
Inc / Dec (-) in Cash	**-577**	**4,230**	**-3,726**	**27,007**	**40,403**
Opening Cash Balance	5,731	11,051	29,568	14,166	41,173
Closing Cash Balance	11,051	29,568	14,166	41,173	81,576

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Margin (%)	19.1	20.2	20.1	12.7	12.7
Asset Turnover (x)	0.8	0.8	0.7	0.6	0.6
Leverage Factor (x)	1.2	1.3	1.5	1.6	1.6
RoE (%)	20.0	21.4	21.4	13.5	12.3

Source: Company, JM Financial

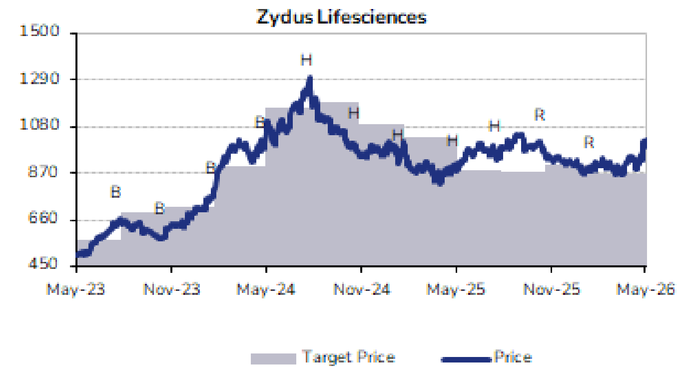
Key Ratios					
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
BV/Share (INR)	197.1	238.1	269.5	302.6	336.2
ROIC (%)	18.4	22.7	17.1	12.3	12.2
ROE (%)	20.0	21.4	21.4	13.5	12.3
Net Debt/Equity (x)	0.0	-0.2	0.2	0.1	-0.1
P/E (x)	26.7	22.7	20.3	25.7	25.2
P/B (x)	5.2	4.3	3.8	3.4	3.0
EV/EBITDA (x)	19.7	14.6	15.2	14.8	14.6
EV/Sales (x)	5.3	4.3	4.0	3.5	3.3
Debtor days	97	63	73	73	73
Inventory days	64	62	76	76	76
Creditor days	54	51	52	50	50

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
10-Feb-26	Reduce	865	-4.5
7-Nov-25	Reduce	906	3.9
12-Aug-25	Hold	872	-1.4
21-May-25	Hold	884	-14.2
6-Feb-25	Hold	1,030	-5.5
12-Nov-24	Hold	1,090	-8.4
12-Aug-24	Hold	1,190	2.1
18-May-24	Buy	1,165	29.4
11-Feb-24	Buy	900	25.0
7-Nov-23	Buy	720	4.3
13-Aug-23	Buy	690	21.1
18-May-23	Buy	570	17.5
4-Feb-23	Buy	485	3.2
14-Nov-22	Buy	470	9.3
10-Aug-22	Buy	430	

Recommendation History Chart



APPENDIX I

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Rating	**Meaning**
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