INVESTMENT RESEARCH NOTE

ZYDUS LIFESCIENCES LIMITED

NSE: ZYDUSLIFE | BSE: 532321 | ISIN: INE010B01027

Sector: Pharmaceuticals & Biotechnology | Market Cap: ₹94,600 Cr

CMP (₹)	PE Ratio	52W High	52W Low
₹940	**19.1x**	₹1,059	₹835
ROE	**ROCE**	**Debt/Equity**	**Promoter %**
20.2%	**20.8%**	**0.11x**	**75.0%**

Prepared: May 11, 2026 | Data as of Friday, May 9, 2026 Close

Rating: ACCUMULATE | 12-Month Target: ₹1,150–1,350

1. EXECUTIVE SUMMARY

Zydus Lifesciences is an innovation-led Indian pharmaceutical company headquartered in Ahmedabad with a market capitalisation of approximately ₹94,600 Cr. The company operates across generics, biosimilars, vaccines, APIs, consumer wellness, and MedTech, with operations spanning the US, India, and over 50 international markets.

We believe Zydus is at an inflection point driven by three transformational catalysts: (1) the Day-1 launch of generic Semaglutide in India with a proprietary reusable pen device, (2) the imminent US BLA filing for a Pembrolizumab (Keytruda) biosimilar with potential first-to-file advantage, and (3) the world's first Nivolumab biosimilar already generating revenue. These catalysts, combined with a PE of 19x (roughly half the Nifty Pharma sector average of 36x), present a compelling risk-reward for medium-term investors.

Additionally, the recent Hantavirus outbreak on the MV Hondius cruise ship (8 cases, 3 deaths as of May 8, 2026) has created sector-wide sentiment tailwinds for pharma companies with vaccine platforms. Zydus's existing vaccine infrastructure (ZyCoV-D, VaxiFlu, typhoid conjugate) positions it as a potential beneficiary if India initiates any preparedness measures. No approved hantavirus vaccine or antiviral exists globally, and Zydus is named in industry market reports covering the hantavirus treatment space.

2. PRODUCT LAUNCH CATALYST TIMELINE

2.1 Semaglutide Injection (GLP-1 Therapy) — LAUNCHED March 2026

Zydus launched Semaglutide injection in India under brands SEMAGLYN™, MASHEMA™, and ALTERME™ on March 21, 2026 — Day 1 of patent expiry. The Semaglutide patent in India expired on March 20, 2026.

- DCGI approval already secured for Type 2 Diabetes Mellitus and Obesity indications
- Proprietary, indigenously developed reusable adjustable-dose pen device — exclusive to Zydus. Delivers all approved dose strengths from a single pen, unlike competitor single-use pens
- Manufactured at Zydus Biotech Park, Ahmedabad. Available as 15 mg/3 ml cartridge
- Addressable market: India has 8.9 crore diabetic adults. Generic Semaglutide expected to be approximately 50% cheaper than Novo Nordisk's branded Ozempic
- **Revenue Impact:** Q1 FY27 (Apr–Jun 2026) will be the first full quarter of Semaglutide sales contribution. This is expected to be a significant growth driver for the India Formulations segment.

2.2 Pembrolizumab Biosimilar FYB206 (Keytruda) — BLA FILING IMMINENT

This is the single most consequential near-term catalyst for Zydus. Keytruda (pembrolizumab) is the world's best-selling drug with global sales of US $31.6 billion in 2025.

- Zydus entered exclusive licensing and supply agreement with Germany's Formycon AG (December 9, 2025) for FYB206 commercialisation in US and Canada
- Pivotal Dahlia pharmacokinetic study successfully completed (February 27, 2026), demonstrating bioequivalence of FYB206 with Keytruda
- During Q3 FY26 Earnings Call (February 10, 2026), management indicated Zydus is hoping to be the FIRST to file a BLA with USFDA for pembrolizumab biosimilar
- BLA submission expected in the near future; regulatory pathway streamlined after FDA agreed a single PK study (without Phase 3) is sufficient
- **Revenue Impact:** Even 1–2% of the $31.6B global Keytruda market translates to $316–632M (approximately ₹2,600–5,300 Cr) in potential annual revenue. Timeline to US launch: likely CY2028–2029 post-BLA filing and FDA review.

2.3 Nivolumab Biosimilar (Tishtha™) — LAUNCHED January 2026

- World's first biosimilar of Nivolumab (Opdivo), launched in India under brand Tishtha™ on January 22, 2026
- Priced at approximately one-fourth of the reference drug (₹28,950 for 100 mg; ₹13,950 for 40 mg)
- Addresses 5+ lakh cancer patients in India requiring immunotherapy
- **First-mover advantage** as the only globally approved Nivolumab biosimilar provides pricing power and market establishment ahead of competitors

2.4 Additional Pipeline Catalysts

- **Aflibercept Biosimilar (ANYRA™):** Launched February 2026 for ophthalmic care indications
- **VaxiFlu™:** India's first trivalent influenza vaccine, launched September 2025
- **Desidustat:** USFDA Orphan Drug Designation for Sickle Cell Disease treatment (February 2026)
- **US Biologics Manufacturing:** Completed acquisition of Agenus Inc.'s biologics manufacturing facilities in California, launching Zylidac Bio LLC (January 2026). Provides US-based manufacturing capability for complex biologics.
- **Lucentis Biosimilar (NUFYMCO®):** Interchangeable biosimilar approved by USFDA, partnered with Bioeq for US commercialisation (December 2025)

3. FINANCIAL SNAPSHOT

Metric	Zydus Life	Sector Avg / Peer
Revenue (TTM)	₹26,089 Cr	Aurobindo: ₹33,182 Cr
Net Profit (TTM)	₹5,026 Cr	Aurobindo: ₹3,485 Cr
PAT Margin	**19.3%**	Aurobindo: 10.5%
PE Ratio (TTM)	**19.1x**	Nifty Pharma: 36x
ROE (3Y Avg)	**20.2%**	Aurobindo: 10.2%
ROCE	**20.8%**	Aurobindo: ~14%
Operating Margin	**33.4%**	--
Net Debt/Equity	**0.11x**	Effectively Debt Free
Promoter Holding	**75.0%**	Aurobindo: 51.8%
Revenue Growth (9M FY26)	**17% YoY**	Strong broad-based

Q3 FY26 Performance Highlights (Oct–Dec 2025)

Revenue from operations: ₹6,864.5 Cr (up 30% YoY). EBITDA: ₹1,816.4 Cr (up 31% YoY) with EBITDA margin of 26.5%. 9-month EBITDA margin at 30.3% (up 80 bps YoY). Net Debt/EBITDA at 0.36x, reflecting strong cash generation capability. R&D investment at 8.8% of revenue demonstrates continued commitment to innovation pipeline.

4. TECHNICAL ANALYSIS

As of May 8–9, 2026:

Indicator	Value / Signal
Current Price (CMP)	₹940
50-Day Moving Average	₹908–912 (CMP above — Bullish)
200-Day Moving Average	₹928–943 (CMP testing from above)
50 DMA vs 200 DMA	50 DMA curling up toward 200 DMA — Potential Golden Cross forming
52-Week High	₹1,059 (12.7% upside from CMP)
52-Week Low	₹835 (11.2% below CMP — Strong support)
Key Support Levels	₹910 (50 DMA), ₹880 (consolidation), ₹835 (52W low)
Key Resistance Levels	₹960–970, ₹1,050–1,060 (52W high), ₹1,150 (analyst target)

The stock has established a firm base near the ₹835–840 zone (52-week low, tested and held). The subsequent recovery to ₹940 with the 50 DMA curling upward suggests a trend reversal is

forming. If the 50 DMA crosses above the 200 DMA (Golden Cross), it would confirm a medium-term bullish signal. The stock is trading at just ~11% below its 52-week high, and with Q4 results on May 19 as an immediate catalyst, a re-test of the ₹1,059 level appears achievable within 2–3 months.

5. HANTAVIRUS SECTOR CATALYST

The MV Hondius cruise ship outbreak (Andes strain hantavirus, 8 cases, 3 deaths, 38% case fatality ratio) has created global attention on the complete absence of approved vaccines or antivirals for hantavirus. The WHO issued its first disease outbreak news on May 2, 2026, and contact tracing is underway across 23 countries.

Why Zydus is positioned: Zydus maintains a comprehensive vaccine R&D platform (ZyCoV-D COVID vaccine, VaxiFlu influenza vaccine, typhoid conjugate vaccine) with DCGI regulatory relationships and BSL-3 equivalent manufacturing capability. While no Indian company has announced hantavirus-specific development, Zydus's existing platform and proven ability to deliver rapid vaccine development makes it a primary beneficiary if the Indian government initiates preparedness measures.

The hantavirus angle is a sentiment-driven overlay, not a core earnings driver. No hantavirus vaccine candidate globally has completed Phase 3 trials, and the prediction markets assign only 7.5% probability to any vaccine approval by December 2026. However, pharma sector rotation driven by health-scare psychology has historically benefited companies with demonstrated vaccine capabilities.

6. VALUATION & TARGET PRICE

Scenario	Assumptions	Target Price
Base Case	FY27E EPS ₹50–55, PE re-rate to 22x (sector discount maintained)	**₹1,100–1,210**
Bull Case	FY27E EPS ₹55–60, Pembrolizumab BLA filed, PE re-rate to 25x	**₹1,375–1,500**
Bear Case	FDA warning letter on Unit 9, margin compression, PE stays at 18x	**₹840–900**

At 19x trailing PE versus the Nifty Pharma sector average of 36x, Zydus trades at approximately 47% discount to the sector. This discount is unjustified given the company's superior ROE (20.2% vs sector average), stronger pipeline (Semaglutide + Keytruda biosimilar + Nivolumab), and clean balance sheet. We believe the market has not fully priced in the Pembrolizumab opportunity ($31.6B reference drug market) or the Semaglutide revenue ramp. A re-rating toward 22–25x PE as these catalysts materialise would drive the stock toward ₹1,100–1,500 over 12 months.

7. KEY RISKS

1. **USFDA Inspection Risk:** The GMP inspection at Ahmedabad Unit 9 (April 27–May 5, 2026) concluded with seven observations. If these escalate to a Warning Letter or Import Alert, it would negatively impact US revenue and the biosimilar filing timeline.
2. **Pembrolizumab BLA Delay:** Any delay in BLA filing or FDA Complete Response Letter would defer the largest catalyst and may trigger de-rating.
3. **Semaglutide Competition:** 50+ generic manufacturers are expected to launch Semaglutide in India post patent expiry, which may compress pricing and margins faster than anticipated.
4. **US Tariff Headwinds:** The 26% US reciprocal tariff on Indian goods (announced April 2, 2026) could reduce FII appetite for Indian pharma equities and create earnings estimate downgrades of 5–8%.
5. **Macro / FII Outflows:** FII holding at 10.8% means global risk-off events can trigger disproportionate selling pressure disconnected from fundamentals.

8. UPCOMING EVENTS & CATALYSTS

Date	Event	Impact
May 19, 2026	Q4 FY26 Results & Final Dividend Announcement	**HIGH**
Q1–Q2 FY27	Pembrolizumab BLA filing with USFDA	**VERY HIGH**
Q1 FY27	First full quarter Semaglutide revenue in India Formulations	**MEDIUM**

Jul–Aug 2026	FDA response to Unit 9 inspection observations	**MEDIUM**
CY2026–27	Lucentis biosimilar (NUFYMCO) US commercialisation ramp	**MEDIUM**

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