

Zydus Lifesciences: US keeps surprising



Elara Diet Report—Your Swift and Savvy Guide to a `Breaking News or a Development`

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Pharmaceuticals

Zydus Lifesciences (ZYDUSLIF IN) recently has entered into a deal with Synthon BV for commercialization of glbrance (palbociclib for breast cancer) in the US. Synthon is the sole first-to-file (FTF) for glbrance; Zydus/Synthon will enjoy 180-day sole exclusivity. We estimate this a ~USD 350mn revenue and ~USD100mn PBT opportunity in FY28E. The development highlights the possibility of large unforeseen growth levers in the US generics business. We expect more such opportunities to crop up, as the longest patent cliff unfolds over the next 4-5 years. ZYDUSLIF is the best placed among our coverage universe to take advantage of this phenomenon.

Large FY28 opportunity

Ibrance from Pfizer is blockbuster drug used in the treatment of breast cancer. We estimate annual sales of Ibrance tablets in the US at ~USD 2.7bn. The key patent protecting the product expires in CY27; we expect Pfizer and Synthon to settle for launch around that time. Thus, we expect this drug to be a FY28 opportunity for ZYDUSLIF. If we assume ~50% price erosion and a 50% market share, glbrance can contribute USD 350m in revenues over 6 months. Since it is a distribution and marketing arrangement, we expect ZYDUSLIF to make ~30% gross margin that will flow into PBT. Thus, we expect the deal to add USD 100mn to ZYDUSLIF FY28E PBT, implying 17% upside.

Multiple other interesting products in pipeline; more surprises likely

High value launches of gRevlimid, gChantix and gIndocin are already bolstering ZYDUSLIF US generics revenue. Zituvia & Zitumet, gMyrbetriq, gOpsumit, gUptravi and gXtandi are other big well known opportunities in the next four years. We also see potential launch of Saroglitazar for primary biliary cholangitis as a significant growth driver on the specialty business side. We also see the potential for unforeseen opportunities, such as glbrance, to crop up, given the long patent cliff ahead.

ZYDUSLIF remains one of our top picks in the space

ZYDUSLIF shares trade at 18.7x FY25E core P/E. Our target price of 791 is based on 18.8x FY26E core earnings plus cash per share. A robust pipeline in the US market, the market upcycle and good outlook in Other businesses along with reasonable valuation make ZYDUSLIF one of our top picks in the space. Any delay and unexpected competition in key US products are key risks to our call.

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