

ZyduS Lifescience

BSE SENSEX
74,102

S&P CNX
22,498



Stock Info

Bloomberg	ZYDUSLIF IN
Equity Shares (m)	1006
M.Cap.(INRb)/(USD\$b)	905.5 / 10.4
52-Week Range (INR)	1324 / 855
1, 6, 12 Rel. Per (%)	-2/-9/-10
12M Avg Val (INR M)	1794
Free float (%)	25.0

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	228.5	257.2	268.6
EBITDA	66.7	74.7	67.3
Adj. PAT	44.8	49.2	43.4
EBIT Margin (%)	25.2	25.1	21.0
Cons. Adj. EPS (INR)	44.5	48.9	43.2
EPS Gr. (%)	18.3	9.8	-11.7
BV/Sh. (INR)	252.6	294.4	330.5

Ratios

Net D:E	-0.1	-0.3	-0.3
RoE (%)	19.8	17.9	13.8
RoCE (%)	18.6	16.7	13.1
Payout (%)	13.0	11.9	13.4

Valuations

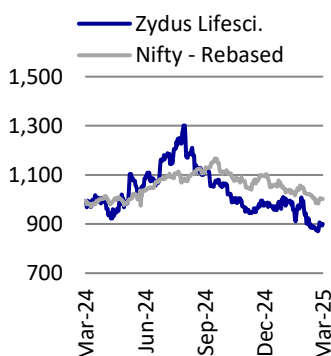
P/E (x)	20.2	18.4	20.9
EV/EBITDA (x)	13.0	11.1	11.8
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	3.5	5.0	4.9
EV/Sales (x)	3.8	3.2	2.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	75.0
DII	10.7	10.7	13.0
FII	7.5	7.5	5.0
Others	6.8	6.9	7.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR900

TP: INR950 (+6%)

Neutral

Gears up for expansion into medtech through Amplitude

- ZyduS Lifesciences has entered into exclusive negotiations to acquire Amplitude Surgical, extending its scope of business in the medtech segment.
- Amplitude delivered 5% YoY growth in sales for six months ending in Dec'24, with EBITDA margin of 25.4%. The acquisition would be at 4x EV/12M sales and 15.7x EV/12M EBITDA.
- The acquisition is a part of ZyduS' priority verticals in the medtech segment to build its global presence.
- ZyduS is enhancing its existing growth levers such as a) differentiated product pipeline/manufacturing for US generics, b) day-1 launches/next generation drug delivery platforms for India market, and c) niche product pipeline in biosimilar, vaccine and NCE segments. ZyduS is further adding growth levers in its medtech segment (cardiology, nephrology, orthopaedics). However, considering stable earnings over FY25-27, we maintain Neutral rating on the stock.

Amplitude – In-house R&D/manufacturing/marketing/distribution company

- Amplitude is a leading French company for lower-limb orthopaedics. It develops and markets high-end products for orthopedic surgery covering the main disorders affecting the hip, knee and extremities, and notably foot and ankle surgery.
- Amplitude's revenue has been stable at EUR106m and EBITDA posted a 5% CAGR to EUR27m over the past five years ending in Jun'24. Over the past six months, it delivered 5% YoY growth in revenue to EUR51m with EBITDA of EUR13.8m.
- Amplitude's 60% of revenue comes from knee-related products and 33% from hip-related products.
- Its assets include a manufacturing plant (60-65% utilization) and an international logistics center.

Transaction to be completed by Jun'25

- ZyduS will acquire a 100% stake in Amplitude for a cash consideration of EURO300m (INR28.5b), comprising a block acquisition of an 85.6% stake at EUR6.25 per equity share (EURO256.8m) and the remaining 14.6% stake at EURO6.25 per equity share (EURO43.2m) after the completion of the block acquisition.
- It is expected that the block acquisition would be completed and the offer would be filed with the French market authority (AMF) by June'25.
- The said transaction is done at an EV/EBITDA of 15.7x of 12M EBITDA.
- The acquisition will be funded through a mix of internal accruals and external financing.

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Global Orthopaedics – Decent market size with concentrated market share

- Orthopaedics is a USD45b market globally, which has clocked a 3.7% CAGR over FY16-24.
- Of the total orthopaedics market, knees and hips represent ~31% market share.
- Going ahead, the global orthopedics market is expected to see a 4.1% CAGR to USD60b over FY24-30, driven by technological advancements, a demographic shift, an increase in healthcare expenditures, and a regulatory landscape promoting innovation and quality.

Aims to establish global presence in other key segments in med-tech

- **Cardiology (product launches, inorganic opportunities):** Zydus plans to build a presence in interventional cardiology. It has acquired a manufacturing facility of Nano Therapeutics in 2024, located at Surat, Gujarat. It plans to expand its portfolio through new launches and partnerships.
- **Nephrology (product pipeline):** Zydus plans to focus on the nephrology segment to address the growing burden of chronic kidney diseases globally and establish a dialyzer manufacturing plant to produce high-end membranes.

Valuation and view

- ZYDUSLIF continues to work on limited-competition products such as gPalbociclib and g-riociguat to improve its outlook over FY25-28.
- It is working on a few NDA drugs that are in various stages of clinical trials, viz. CUTX101, Saroglitazar with PBC indication, Unsoflast, and a few other drugs, which would drive growth over FY26-27.
- Apart from these products, Zydus has a pipeline of 25 products (incl 3 ADCs) in the biosimilar segment, as well as 20+ vaccine products across platforms.
- Further, Zydus is expanding its scope of business in the medtech space, specifically in cardiology, nephrology and orthopaedics.
- Amplitude provides foundation through a presence in product development, manufacturing and distribution.
- While medtech ventures would play out over the medium to long term, we expect earnings to remain stable over FY25-27 due to competitive pressures in g-Revimid and efforts to enhance the product pipeline. Maintain Neutral on the stock.

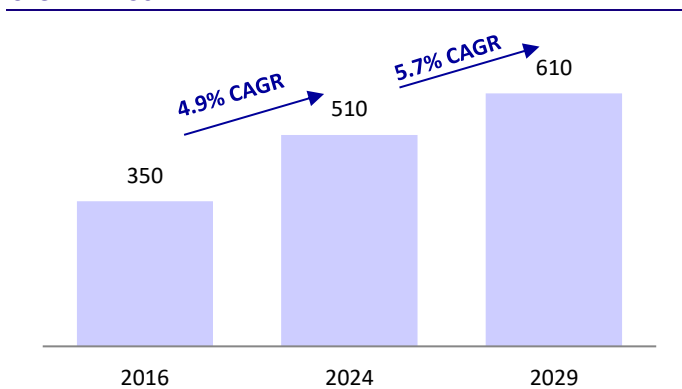
Amplitude strengthens ZyduS' orthopaedic medtech portfolio

- Global medtech market stood at USD510b, growing at 4.9% CAGR over FY16-24.
- India Medtech is expected to grow at ~27% CAGR to USD50b by FY30, driven by the support from GoI and a visible shift in the Indian pharma market.
- Global orthopaedic market is valued at USD45B, growing at 3.7% CAGR during FY16-24, and is projected to reach USD60B by FY30 at 4.1% CAGR.
- Of the total orthopaedics market, knees and hips represent a ~31% market share.
- Amplitude, a formidable orthopaedic player in Europe, ranked #2 in France and #6 in Europe for hips and knee prostheses.
- Besides organic growth, Amplitude has pursued continuous expansion through strategic acquisitions, implementing a vertical integration strategy and aiming to enhance its supply chain and strengthen its product portfolio.

Renaissance in the Indian medtech industry

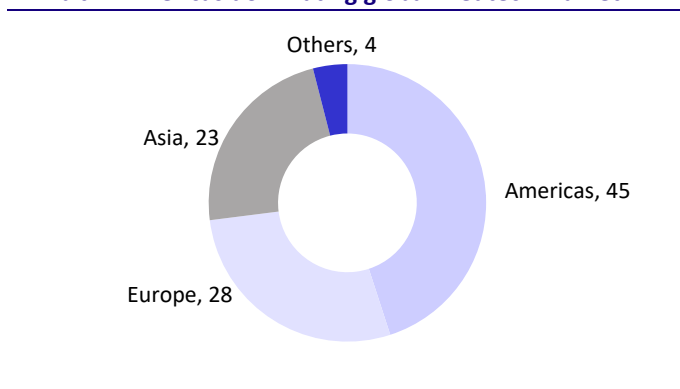
- Global medtech market stood at USD510b, growing at 4.9% CAGR over FY16-24.
- Of the total medtech market, the Americas region commands ~45% market share, while India currently stands at 2.3% (USD12b).
- India is currently heavily import-dependent, i.e. 80%-85% of medical devices are sourced via imports.
- Hence, the GoI has announced a PLI scheme for promoting domestic manufacturing of medical devices with a total financial outlay of ~USD400m.

Exhibit 1: Global medtech market to grow at 5.7% CAGR over FY24-30



Source: MOFSL, Company

Exhibit 2: Americas dominating global medtech market



Source: MOFSL, Company

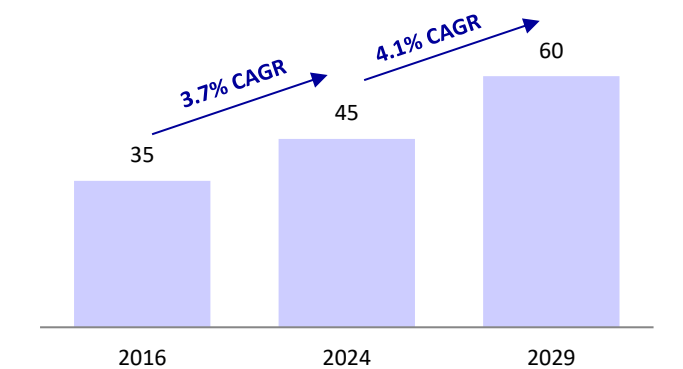
- Moreover, as the medtech sector flourishes in India, pharma companies are increasingly delving into the core medical device arena.
- Indian medtech is thus expected to grow at ~27% CAGR to USD50b by FY30.

The future of orthopaedics: Robotics, innovation, and a USD60b opportunity

- Orthopaedics is a USD45b market globally, which has grown at 3.7% CAGR over FY16-24.
- Of the total orthopaedics market, knees and hips represent a ~31% market share, followed by spine and trauma standing at 17% and 15%, respectively.

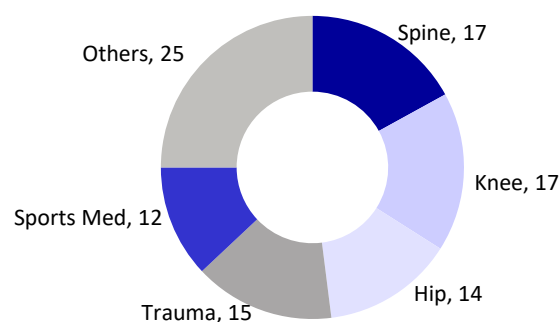
- Robotic-assisted surgery is becoming a competitive necessity, with major players investing heavily in next-generation surgical techniques and robotic solutions to improve precision and patient outcomes.
- Going ahead, the global orthopedics market is expected to grow at 4.1% CAGR to USD60b over FY24-30, driven by technological advancements, a demographic shift, an increase in healthcare expenditures, and regulatory landscape promoting innovation and quality.

Exhibit 3: Global orthopedic market to grow at 4.1% CAGR over FY24-29



Source: MOFSL, Company

Exhibit 4: Knee and hip surgery has 31% market share



Source: MOFSL, Company

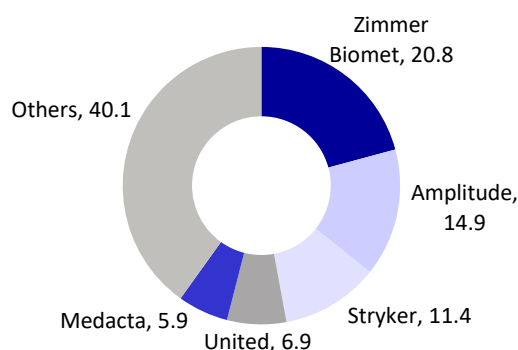
Exhibit 5: Endoscopic market to grow at the fastest pace over FY24-FY29E

Therapy	16-24	24-29E
Orthopaedics	3.7	4.1
Ophthalmic	6.3	5.4
General and Plastic Surgery	3.2	5.7
Endoscopic	7.3	7.2
Other	4.9	5.8

Source: MOFSL, Company

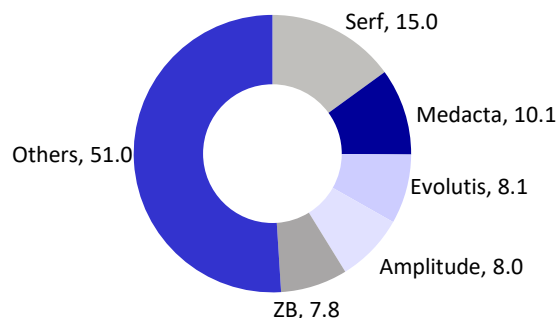
- In France, top five players in knee prostheses have ~60% market share, led by Zimmer Biomet (20.8% share), followed by Amplitude (14.9%).
- On the other hand, top five players in hips prostheses have ~49% market share, led by Serf (15% share).
- Amplitude ranks fourth in hips prostheses in France with 8% market share.

Exhibit 6: Top five players have 60% market share in knee prostheses market



Source: MOFSL, Company

Exhibit 7: Top five players have 49% market share in hips prostheses market



Source: MOFSL, Company

Strategic expansion to enhance supply chain and product portfolio

- In addition to organic growth, Amplitude has pursued continuous expansion through strategic acquisitions.
- The company is implementing a vertical integration strategy by gaining direct control over its distribution and manufacturing while streamlining its business focus through the divestment of extremities surgery.
- By acquiring both manufacturing and distribution businesses, Amplitude aims to enhance its supply chain and strengthen its product portfolio.
- These strategic moves reflect a long-term vision to solidify its market position and drive profitability in the core orthopedic and implant sectors.

Exhibit 8: Strategic acquisition to solidify market position in core orthopedic and implant sector

Date	Acquisition Target	Sector	Details
Apr-24	Orthosanté	Orthopedic Distribution	❖ Previously marketed Amplitude products through a commercial agency agreement. Now fully owned by Amplitude SAS.
Jul-23	Sofab Orthopédie	Manufacturing	❖ Merged Sofab Orthopédie into Amplitude SAS.
Jun-23	Novastep & Novastep Inc.	Extremities Surgery	❖ Sold its entire Novastep business to Enovis Corporation.
2022	STELLAR® Range (EVOLUTIS)	Knee & Hip Implants	❖ Acquired the STELLAR® implant range from Evolutis, previously distributed exclusively by Amplitude.

Source: MOFSL, Company

STELLAR® range (Evolutis) (2022): Strengthened knee and hip portfolio

- Amplitude acquired STELLAR knee and hip implants from Evolutis in 2022.
- Owing to the acquisition, Amplitude gained full ownership of a previously distributed product line, thus enhancing its product portfolio and reducing dependency on third-party suppliers.

Sofab Orthopédie (2016-2023) → Full vertical integration in manufacturing

- Amplitude initially acquired a 50% stake in Sofab Orthopédie in 2016 as part of its strategy to strengthen in-house production capabilities.
- Over the years, the company worked toward full integration, ultimately securing complete ownership in 2023.
- This acquisition allowed Amplitude to enhance its control over the manufacturing process, ensuring higher quality standards and increased efficiency.
- By bringing Sofab Orthopédie entirely under its umbrella, Amplitude successfully reduced production costs, improved quality control, and optimized its supply chain for hip and knee implants.

Orthosanté (2024) → Strengthening distribution in France

- Orthosanté, which previously served as a distributor of Amplitude products, was fully acquired by Amplitude in 2024.
- This helped Amplitude gain direct control over its distribution network, eliminating intermediaries and streamlining sales operations.
- By integrating Orthosanté, Amplitude has strengthened its market presence in France.
- This acquisition is expected to enhance profit margins by reducing dependency on external distributors and allowing the company to manage its supply chain more effectively.

Novastep sale to Enovis (2023): Exit from foot prostheses market

- As part of its strategic realignment, Amplitude made the decision to exit the extremities market, specifically foot and ankle surgery, to concentrate on its core competencies in lower-limb orthopedics.
- In 2023, the company sold Novastep, a specialist in foot and ankle surgical implants, to Enovis Corporation.
- This divestment allowed Amplitude to streamline its business focus, freeing up capital for further expansion in the hip and knee implant segment.
- By shifting away from the extremities market, Amplitude reinforced its commitment to large-joint orthopedics, ensuring better resource allocation and strengthening its position in its primary market.

Market consolidation and growth opportunities for Amplitude

- The orthopedic prostheses market is currently witnessing a phase of consolidation among key industry players.
- This trend presents potential business opportunities for Amplitude, as mergers within the sector may lead to the discontinuation of certain product lines due to overlapping portfolios.
- With fewer competitors in the market, Amplitude’s position in specific segments could be further strengthened, enhancing its appeal as a strong alternative to the larger consolidated groups.
- This shift in market dynamics could open new avenues for growth and expansion, positioning Amplitude as a key player in the evolving orthopedic landscape.

Exhibit 9: Ongoing consolidation in orthopedic industry

Date	Purchaser	Target Company	Main Market Segment
Jan-24	Enovis	Lima Corporate SPA	❖ Hip, Knee, Shoulder
Jun-23	Restor3d	Compliance	❖ Knee
Jun-23	Enovis	Novastep	❖ Extremities
May-23	Zimmer Biomet	OSSIS	❖ Personalised 3D implants
Jan-22	Smith & Nephew	Engage surgical	❖ Knee
Jun-21	DJO	Mathys AG	❖ Hip Knee Shoulder
May-21	Shelby	Consensus Orthopedics	❖ Orthopaedic implants
Jan-21	Stryker	Orthosensor	❖ Sensor technology
Dec-20	Exactech	MUVR Labs	❖ Smart patient wearables 01/2021

Source: MOFSL, Company

Financials and valuations

Income Statement						(INR b)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	152.7	172.4	195.5	228.5	257.2	268.6
Change (%)	5.3	12.9	13.4	16.9	12.6	4.4
Total Expenditure	117.4	135.0	142.4	161.8	182.5	201.2
% of Sales	76.9	78.3	72.9	70.8	71.0	74.9
EBITDA	35.2	37.4	53.0	66.7	74.7	67.3
Margin (%)	23.1	21.7	27.1	29.2	29.0	25.1
Depreciation	7.1	7.2	7.6	9.2	10.2	10.8
EBIT	28.1	30.2	45.4	57.5	64.5	56.5
Int. and Finance Charges	1.3	1.3	0.8	1.2	0.7	0.6
Other Income - Rec.	2.2	1.9	2.8	2.5	2.1	2.2
PBT before EO Expense	29.1	30.7	47.4	58.8	65.9	58.0
EO Expense/(Income)	0.7	4.8	-0.7	-1.1	0.0	0.0
PBT after EO Expense	28.4	25.9	48.1	59.8	65.9	58.0
Current Tax	5.1	5.9	9.8	14.1	16.6	14.5
Deferred Tax	0.0	0.0	0.0	0.0	0.0	0.0
Tax	5.1	5.9	9.8	14.1	16.6	14.5
Tax Rate (%)	18.0	22.7	20.3	23.5	25.2	25.0
Reported PAT	23.3	20.0	38.3	45.8	49.3	43.5
Less: Minority Interest	0.8	0.4	-0.1	0.1	0.1	0.1
PAT from Discontinued operations	22.5					
Net Profit	44.9	19.6	38.4	45.7	49.2	43.4
PAT Adj for EO Items	22.1	22.9	37.9	44.8	49.2	43.4
Change (%)	8.9	3.9	65.0	18.3	9.8	-11.7
Margin (%)	14.5	13.3	19.4	19.6	19.1	16.2

Balance Sheet						(INR b)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1.0	1.0	1.0	1.0	1.0	1.0
Total Reserves	169.0	174.1	197.3	253.2	295.2	331.5
Net Worth	170.0	175.2	198.3	254.2	296.2	332.5
Minority Interest	20.5	21.7	22.7	22.7	22.7	22.7
Deferred liabilities	-9.4	-10.7	-12.0	-12.0	-12.0	-12.0
Total Loans	45.8	17.0	18.5	22.6	22.6	22.6
Capital Employed	226.9	203.2	227.6	287.5	329.5	365.8
Gross Block	172.6	173.2	201.5	217.0	225.1	231.8
Less: Accum. Deprn.	50.1	57.3	64.7	72.5	80.4	88.1
Net Fixed Assets	122.5	115.9	136.8	144.5	144.7	143.7
Capital WIP	6.6	11.3	11.1	6.1	3.5	2.3
Investments	32.9	15.5	8.0	8.0	8.0	8.0
Curr. Assets	105.0	104.2	117.3	184.7	223.6	276.0
Inventory	37.2	34.1	34.4	47.5	43.5	56.5
Account Receivables	33.4	44.2	52.2	61.9	67.6	70.6
Cash and Bank Balance	11.1	5.7	11.1	55.6	92.8	129.2
Loans & Advances	23.3	20.2	19.6	19.6	19.6	19.6
Curr. Liability & Prov.	40.1	43.6	45.7	55.8	50.3	64.2
Account Payables	36.4	40.0	41.8	51.8	46.4	60.2
Provisions	3.7	3.7	3.9	3.9	3.9	3.9
Net Current Assets	64.9	60.5	71.6	128.9	173.3	211.8
Appl. of Funds	226.9	203.2	227.6	287.5	329.5	365.8

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Adj EPS	21.6	22.4	37.6	44.5	48.9	43.2
Cash EPS	50.8	26.3	45.7	54.6	59.1	53.9
BV/Share	166.1	171.1	197.1	252.6	294.4	330.5
DPS	4.6	6.0	5.4	5.8	5.8	5.8
Payout (%)	21.3	26.8	14.3	13.0	11.9	13.4
Valuation (x)						
P/E	41.7	40.1	23.9	20.2	18.4	20.8
Cash P/E	17.7	34.2	19.7	16.5	15.2	16.7
P/BV	5.4	5.3	4.6	3.6	3.1	2.7
EV/Sales	6.5	5.7	5.0	4.1	3.5	3.2
EV/EBITDA	28.1	26.3	18.6	14.2	12.2	13.0
Dividend Yield (%)	0.5	0.7	0.6	0.6	0.6	0.6
Return Ratios (%)						
RoE	14.7	13.3	20.3	19.8	17.9	13.8
RoCE	12.9	12.1	18.8	18.6	16.7	13.1
RoIC	13.9	13.4	19.7	21.2	21.8	18.8
Working Capital Ratios						
Asset Turnover (x)	0.7	0.8	0.9	0.8	0.8	0.7
Fixed Asset Turnover (x)	1.3	1.4	1.5	1.6	1.8	1.9
Debtor (Days)	77	82	90	91	92	94
Inventory (Days)	83	76	64	65	65	68
Working Capital T/O (Days)	129	116	113	117	114	112
Leverage Ratio (x)						
Net Debt/Equity	0.2	0.1	0.0	-0.1	-0.3	-0.3

E: MOFSL Estimates

Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Oper. Profit/(Loss) bef.Tax	35.2	25.8	48.4	66.7	74.7	67.3
Interest/Dividends Recd.	2.2	-0.8	-1.3	2.5	2.1	2.2
Direct Taxes Paid	-5.1	-5.9	-12.9	-14.1	-16.6	-14.5
(Inc)/Dec in WC	-20.0	-2.4	-8.7	-12.7	-7.1	-2.1
CF from Operations	12.4	16.8	25.5	42.3	53.1	52.8
(inc)/dec in FA	-7.1	-9.9	-16.0	-11.9	-7.9	-8.5
Free Cash Flow	4.6	17.0	16.2	31.6	45.2	44.3
(Pur)/Sale of Investments	-24.6	24.5	0.0	0.0	0.0	0.0
CF from Investments	-31.7	15.4	-14.8	-11.9	-7.9	-8.5
Inc/(Dec) in Debt	6.5	-31.4	-3.9	4.1	0.0	0.0
Interest Paid	-1.3	-1.3	-0.7	-1.2	-0.7	-0.6
Dividend Paid	-5.7	-2.7	-6.2	-7.2	-7.2	-7.2
CF from Fin. Activity	22.2	-47.6	-12.2	13.0	-7.9	-7.9
Inc/Dec of Cash	2.2	-5.3	5.3	44.5	37.3	36.4
Add: Beginning Balance	8.9	11.1	5.7	11.1	55.6	92.8
Closing Balance	11.1	5.7	11.1	55.6	92.8	129.2
Total Cash & Cash Eq	11.1	5.7	11.1	55.6	92.8	129.2

(INR b)

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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