

Zydu Lifesciences Ltd.

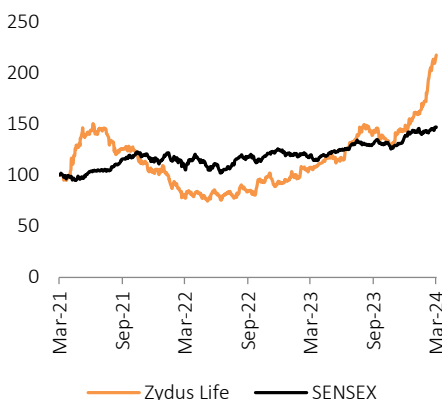
Strong growth in the US and India to drive growth further.

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 954	INR 1,006	17.3%	9,73,133	BUY	Pharma

MARKET DATA

Shares O/S (Mn)	1012
Mkt Cap (INR Mn)	9,73,133
52 Wk H/L (INR)	936/ 461
Volume Avg (3m K)	1563
Face Value (INR)	1
Bloomberg Code	ZYDUSLIF IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	73,677
NIFTY	22,356

SHARE HOLDING PATTERN (%)

Particulars	Dec-23	Sep-23	Jun-23
Promoters	75.0	75.0	75.0
FIIIs	5.0	4.9	4.0
DIIIs	13.0	13.0	13.4
Others	7.1	7.1	7.5
Total	100.0	100.0	100.0

Zydu Lifesciences Ltd. showed an in line market growth for the month of January 2024 for India Pharma Market (IPM) as per All Indian Origin Chemists and Distributors Ltd. (AIOCD) Jan 24 report. While the IPM growth was 9.5% Y-o-Y for the month of January 2024, Zydu Lifesciences clocked in 9.4% Y-o-Y growth for the same period on the back of IPM beating growth in its major therapies such as cardiac (13% of sales) and anti-infective (13% of sales); partially offset by slower than IPM growth in respiratory segment (14% of sales) in January 24. The Q4FY24E and Q1FY25E are the peak seasons for major brands of the company's wellness segment such as Glucon-D and Nycil. India formulations contributes 33% of revenue while consumer wellness contributes 9% of revenue as of Q3FY24. Additionally, the recently launched 505(b)(2) – NDA – Zituvio in the US, in Q3FY24, promises to be a strong growth driver for the US market over FY25E – FY26E, as it is a novel drug (approved in Oct 23 by the USFDA). The company expects Zituvio to gradually ramp up its market share in Sitagliptin in the US over a period of time with rise in Zituvio's adoption among physicians. Sitagliptin Tablets (RLD: Januvia) had estimated annual sales of USD 5.79 billion in the US (IQVIA MAT October 2023). At the same time, gRevlimid sales is expected to re-emerge in Q4FY24E and Q1FY25E as guided by the management. The company has announced a share buy back of up-to Rs. 6,000 Mn at Rs 1,005 per equity share, as well. **We therefore raise the Target Price on Zydu Lifesciences to INR 1,006/share (prev: INR 913) as we raise the valuation multiple by 10% to 27.0x (vs. earlier multiple of 24.5x, It is at a 10% premium to its 5 year historical PE it has traded at) applying on FY26E EPS of Rs. 37.3 (unchanged). We upgrade our rating on Zydu Lifesciences from Accumulate to Buy as target price implies 17.3% upside from its CMP. We believe, stronger than anticipated growth in India markets driven by continued strong growth in chronic portfolio as well as in NCEs such as Saroglitzar, Oxemia, and Ujvira and more than anticipated growth in the US markets on the back of volumes growth in the base portfolio as well as new launches such as Zituvio and Transdermal products should support higher than anticipated profitable growth over FY23-FY26E. For now we maintain our sales and earning estimates at 10.2% and 18.3% CAGR over FY23 - FY26E.**

INR Millions	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,51,099	1,72,374	1,93,125	2,11,068	2,30,700
Adj EBITDA	31,854	35,755	51,567	54,552	55,067
PAT Reported	44,873	19,603	36,106	36,065	37,716
EPS (INR) Reported	21.9	19.4	35.7	35.6	37.3
Adj. PAT	42,193	22,801	35,491	36,065	37,716
Adj. EPS (INR)	41.2	22.4	35.1	35.6	37.3
Adj EBITDA Margin	21.1%	20.7%	26.7%	25.8%	23.9%
Adj. NPM	27.9%	13.2%	18.4%	17.1%	16.3%

*Based on yesterday's closing

Zydu Lifesciences Ltd.

KEY FINANCIALS

INR Millions	FY 22	FY 23E	FY 24E	FY25E	FY26E
Revenues	1,51,099	1,72,374	1,93,125	2,11,068	2,30,700
COGS	55,452	63,101	63,439	70,942	78,429
Gross profit	95,647	1,09,273	1,29,686	1,40,126	1,52,271
Employee cost	24,341	27,656	31,749	35,698	41,526
Other expenses	39,452	45,862	46,370	49,877	55,678
EBITDA	31,854	35,755	51,567	54,552	55,067
EBITDA Margin	21.1%	20.7%	26.7%	25.8%	23.9%
Adjusted EBITDA	31,854	35,755	51,567	54,552	55,067
Adj EBITDA Margin	21.1%	20.7%	26.7%	25.8%	23.9%
Depreciation & amortization	7,130	7,227	8,127	10,156	11,101
EBIT	24,724	28,528	43,440	44,395	43,966
Interest expense	1,270	1,299	677	844	422
Other income	2,247	1,866	1,330	1,477	2,307
PBT before exceptional items	25,701	29,095	44,093	45,028	45,851
Exceptional Items	-2,680	3,198	-615	0	0
PBT	28,381	25,897	44,708	45,028	45,851
Tax	5,117	5,878	9,356	9,906	9,170
Share of Profit/(Loss) of Associates	462	946	1,278	1,055	1,154
Loss from Discontinued Operations	22,457	-46	0	0	0
Minority Interest	1,310	1,316	525	112	118
PAT	44,873	19,603	36,106	36,065	37,716
EPS (INR)	43.83	19.30	35.68	35.64	37.27
Adj. PAT	42,193	22,801	35,491	36,065	37,716
Adj EPS (INR)	41.21	22.45	35.07	35.64	37.27

INR Millions	FY22E	FY23E	FY24E	FY25E	FY26E
Net Cash Generated From Operations	21,041	26,888	30,333	40,444	42,007
Net Cash Flow from/(used in) Investing Activities	11,544	11,712	(3,280)	(11,109)	(12,145)
Net Cash Flow from Financing Activities	(8,683)	(44,004)	(5,072)	(8,057)	(7,965)
Net Inc/Dec in cash equivalents	23,902	(5,404)	21,981	21,278	21,897
Opening Balance	6,652	6,578	4,878	20,666	41,944
Adjustments	(74)	(1,700)	15,788	21,278	21,897
Closing Balance Cash and Cash Equivalents	6,578	4,878	20,666	41,944	63,840

Source: Company, KRChoksey Research

Zydu Lifesciences Ltd.

KEY FINANCIALS

INR Millions	FY22	FY23E	FY24E	FY25E	FY26E
Non-current assets					
Property, plant and equipment	57,616	56,965	57,559	58,207	58,916
Capital work-in-progress	6,610	11,302	11,302	11,302	11,302
Goodwill (Net)	53,646	48,044	48,044	48,044	48,044
Other intangible assets	11,272	10,905	9,709	8,402	6,973
Investments accounted for using equity method	3,743	4,166	4,695	4,695	4,695
Investments	5,605	5,107	7,164	7,830	8,558
Loans	0	20	0	0	0
Other financial assets	2,446	4,980	3,126	3,417	3,735
Deferred tax assets (Net)	10,958	12,624	14,006	15,307	16,731
Tax assets (Net)	938	1,125	1,199	1,310	1,432
Other non-current assets	2,506	2,162	3,203	3,501	3,826
Total non-current assets	1,55,340	1,57,400	1,60,007	1,62,015	1,64,212
Current assets					
Inventories	37,194	34,133	42,551	47,584	52,606
Investments	23,532	6,193	6,193	6,193	6,193
Trade receivables	33,403	44,168	42,694	46,660	51,000
Cash and cash equivalents	6,578	4,878	20,666	41,944	63,840
Bank balances other than (iii) above	4,491	853	853	853	853
Loans	0	4	4	4	4
Other financial assets	6,664	2,280	5,593	6,113	6,682
Other current assets + Current Tax Assets	9,090	7,573	10,940	11,957	13,069
Assets classified as held for sale	1,662	82	82	82	82
Total current assets	1,22,614	1,00,164	1,29,576	1,61,389	1,94,329
TOTAL ASSETS	2,77,954	2,57,564	2,89,583	3,23,404	3,58,542
EQUITY AND LIABILITIES					
Equity					
Equity share capital	1,024	1,012	1,012	1,012	1,012
Other equity	1,68,972	1,74,146	2,03,031	2,31,883	2,62,056
Equity attributable to the equity shareholders	1,69,996	1,75,158	2,04,043	2,32,895	2,63,068
Non-controlling interests	20,542	21,725	22,250	22,362	22,480
Total equity	1,90,538	1,96,883	2,26,292	2,55,257	2,85,547
Liabilities					
Non-current liabilities					
Borrowings	3,782	0	0	0	0
Other financial liabilities	449	712	712	712	712
Provisions	3,250	2,718	2,718	2,718	2,718
Deferred tax liabilities (Net)	1,538	1,944	1,944	1,944	1,944
Other non-current liabilities + Trade payables	3	0	0	0	0
Total non-current liabilities	9,022	5,374	5,374	5,374	5,374
Current liabilities					
Borrowings	38,427	11,632	11,632	11,632	11,632
Trade payables	21,378	21,250	24,457	27,350	30,236
Other financial liabilities	12,525	14,458	14,329	16,024	17,715
Other current liabilities	1,990	2,745	2,277	2,546	2,815
Provisions	3,656	3,654	3,654	3,654	3,654
Current tax liabilities (Net)	418	1,568	1,568	1,568	1,568
Total current liabilities	78,394	55,307	57,917	62,773	67,620
Total liabilities	87,416	60,681	63,291	68,147	72,994
TOTAL EQUITY AND LIABILITIES	2,77,954	2,57,564	2,89,583	3,23,404	3,58,541

Source: Company, KRChoksey Research

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Date	CMP (INR)	TP (INR)	Recommendation
06-Mar-24	953	1006	BUY
14-Feb-24	858	913	ACCUMULATE
25-Aug-23	640	725	ACCUMULATE
20-May-23	497	623	BUY
15-Feb-23	473	610	BUY
15-Nov-22	424	507	BUY
17-Oct-22	419	494	BUY
15-Aug-22	387	445	BUY
24-May-22	368	445	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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