

Result Update

Q1 FY26

Zydus Wellness Ltd.

Institutional
Research

Zydus Wellness Ltd.



BP WEALTH

FMCG | Q1FY26 Result Update

02nd August 2025

Modest yearly revenue growth amid seasonal challenges, with margin pressure gradually easing

In Q1FY26, Zydus Wellness Ltd. reported revenue of Rs. 8,609 million (down 5.7% QoQ / up 2.4% YoY), impacted due to shorter-than-usual summers and unseasonal rains, which have affected the seasonal brands, while other non-seasonal brands performed well, cushioning the overall performance. The consumption trend remains stable and indicates that the rural market continues to outperform urban markets, driven by strong performance in branded commodities, personal care and dairy segments. The food and beverages segment grew 1.6% YoY, and the personal care segment saw a 3.8% YoY growth. Nycil maintained its leadership in the market with a 33.3% share, while the Everyuth brand demonstrated strong performance in its peel-off masks and scrubs, capturing a 48.7% market share in the facial scrub segment and 77.2% market share in the peel-off category. Glucon-D commands a market share of 58.9%. Sugar-Free continued to dominate the sugar substitute sector with a commanding 96.1% market share. Post successful acquisition, Max protein continues to scale new heights, achieving impressive growth. The rising input cost is beginning to show signs of easing, providing optimism for margin recovery in the coming quarters, resulting in gross margin to grow by 4 bps QoQ and decline by 66 bps YoY in Q1FY26 at 55.0%. The company's EBITDA declined by 18.1% QoQ while improving marginally by 0.2% YoY to Rs. 1,556 million, resulting in an EBITDA margin of 18.1% (down 273 bps QoQ / down 39 bps YoY). The company registered a net profit of Rs. 1,279 million (down 25.6% QoQ / down 13.4% YoY), with a margin of 14.9% (down 397 bps QoQ / down 271 bps YoY), primarily driven by non-cash items like amortisation of intangible assets from acquired business and deferred tax impacts. The recent product launches of the company include Probiotic butter under Nutralite, Vitamin-fortified mayonnaise, and Cheese in the food service segment.

Valuation and Outlook

Zydus Wellness operates in the consumer wellness sector, with two segments: Food & Nutrition and Personal Care, focusing on a portfolio that prioritises health and wellness. The Indian wellness sector is growing due to increased health awareness amongst the population. The company owns flagship brands such as Nycil, Everyuth, Glucon-D, and Sugar-Free, which command a dominant market share and are well-positioned to capture the growing industry's need. The company's recent acquisition of Naturell (India), which sells nutrition bars and snacks under the Ritebite Max Protein brand, has performed well and is expected to further strengthen its market position. During Q1FY26, the company witnessed a modest revenue growth on an annual basis, which appeared partly cyclical due to seasonal weather impacts, while the margins were dented due to rising input costs. This input cost is expected to ease in the coming quarters, which should help margins recover. Going ahead, the company focuses on growing its revenue in FY26, supported by expanding its product portfolio, leveraging its pan-India marketing presence and a positive boost in the consumption trend. Further, the management anticipates seeing revenue growth by expanding its footprint in the international market, with a target of contributing 8 to 10% to the overall revenue in the next 4 – 5 years. The company is also strategically emphasising improving the margins of the company, driven by pricing power, cost-saving measures and operational leverages. Given these factors and management's prioritised focus on profitability and operational efficiency, we remain optimistic about Zydus Wellness's future growth potential.

Key Highlights

Particulars (Rs. Mn)	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Net Sales	8,609	9,131	8,410	2.4%	-5.7%
COGS	3,878	4,117	3,733	3.9%	-5.8%
Gross Profit	4,731	5,014	4,677	1.2%	-5.6%
Gross margin (%)	55.0%	54.9%	55.6%	-66 bps	4 bps
EBITDA	1,556	1,900	1,553	0.2%	-18.1%
OPM (%)	18.1%	20.8%	18.5%	-39 bps	-273 bps
Net Profit	1,279	1,719	1,477	-13.4%	-25.6%
Net Profit Margin (%)	14.9%	18.8%	17.6%	-271 bps	-397 bps
EPS (Rs.)	20.1	27.0	23.2	-13.4%	-25.6%

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	2,064
BSE code	531335
NSE Symbol	ZYDUSWELL
Bloomberg	ZYWL IN
Reuters	ZYDS.BO

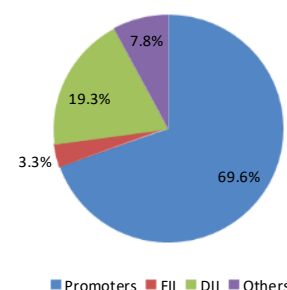
Key Data

Nifty	24,684
52 Week H/L (Rs.)	2,379/1,493
O/s Shares (Mn)	64
Market Cap (Rs. bn)	131
Face Value (Rs.)	10

Average Volume

3 months	91,750
6 months	67,260
1 year	55,360

Share Holding Pattern (%)



Relative Price Chart



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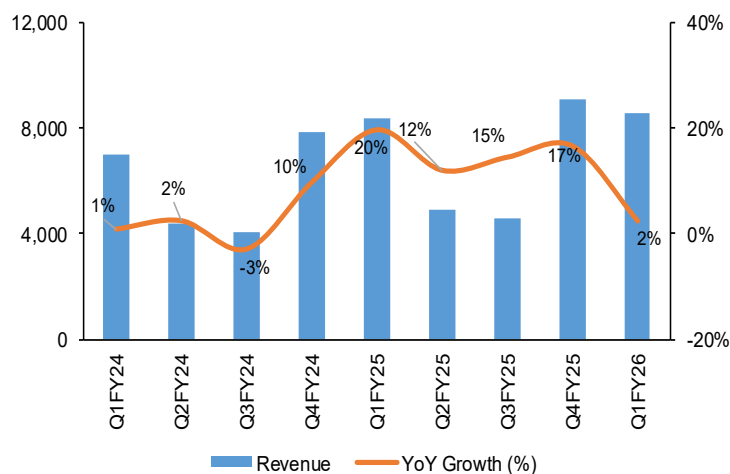
Key Concall Highlights

- The rural demand outperformed the urban market during the quarter, although early monsoons hit seasonal brands like Nycil and Glucon-D. Still, excluding these, non-seasonal brands performed well, cushioning overall performance, delivering a double-digit volume as well as value growth.
- Organised trade saliency continued to improve, reaching 30.9% in Q1FY26, up from 23.3% in Q1FY25. Within this, e-commerce contributed 14.5%, and modern trade contributed 16.4%.
- The majority of their products achieved higher gross margins, but their summer portfolio witnessed challenges due to shorter summer and unexpected rains. However, with easing inflation in input costs, the management is expected to witness margin improvement in the coming quarters.
- Since acquiring the Max Protein (RiteBite) brand, it has continued to perform well, with growth surpassing estimates, gaining popularity across all channels, especially in general trade, benefiting from Zydus' robust distribution network, leading management to view it as a strategic purchase with even greater long-term potential than initially anticipated.
- The company returned to a net cash positive position during the quarter, enhancing its capacity to invest in large projects, infrastructure, and automation for future growth.
- New product development (NPD) and relaunches of existing SKUs are top priorities for the next 12–18 months. The pipeline includes both upgrades and new launches, though specific details are confidential at this stage.
- In the dairy segment, the company is strategically expanding in fat spreads, cheese, and value-added dairy products but remains cautious about large-scale milk sourcing risks. For example, new launches include probiotic butter and vitamin fortified mayonnaise to position for 'better-for-you' consumer trends.
- The Company aims to increase international revenue contribution to 8–10% over the next 4–5 years.
- The management of the company expects to have zero tax in FY25-26, a marginal tax rate of about 8-10% in FY26-27, and then transition to the full corporate tax rate of 25% in the following year.
- Management remains confident in its strategy to achieve sustainable long-term growth by driving innovation and adapting to evolving consumer preferences, while prioritizing gross margin improvement and operational efficiency to maintain double-digit top-line expansion.

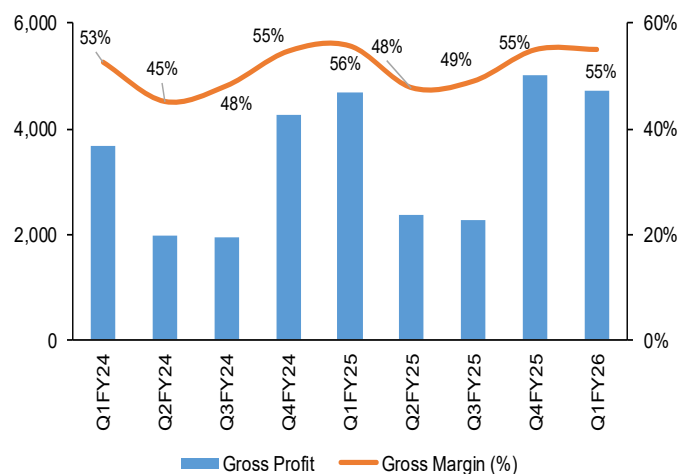
“Market Leadership: The company leads in at least five brands, significantly shaping their categories. Ever-yuth scrub holds a 48.7% market share. Nycil commands a 33.3% share, Glucon-D has a 58.9% market share, and Sugar-Free maintains its number one position with a 96.1% market share in sugar substitutes. The company also outperforms its general market share on e-commerce platforms.”

Quarterly Snapshot

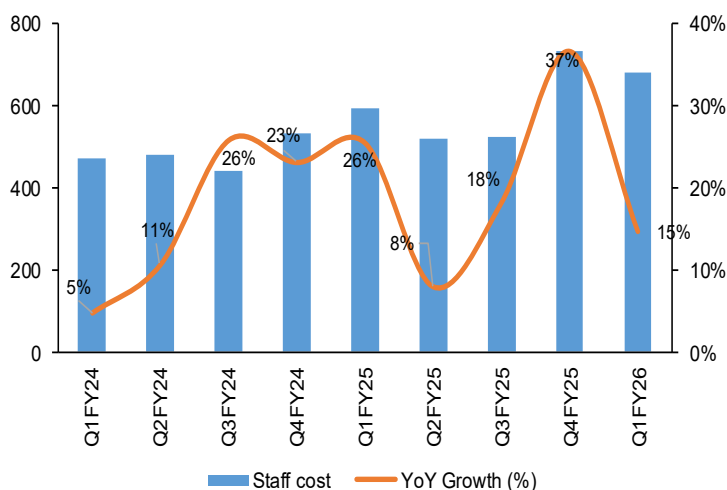
Revenue Growth



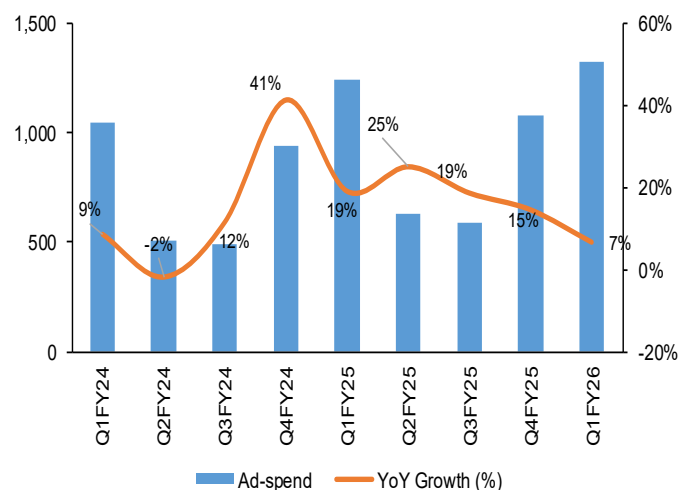
Gross Profit & Gross Margin



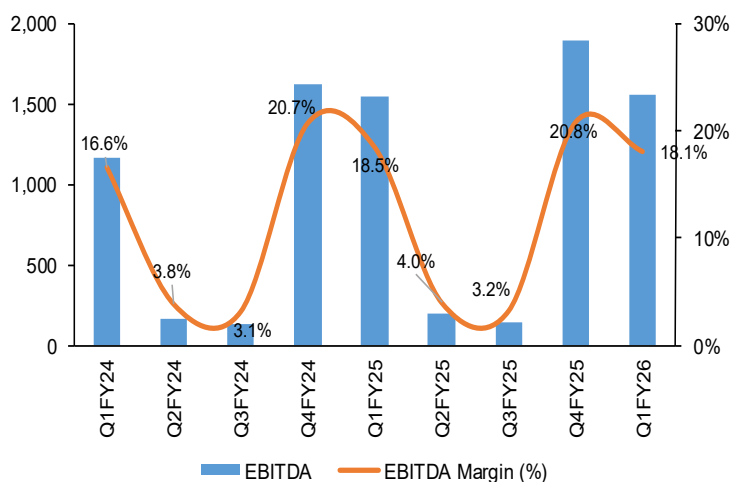
Trend in Staff Cost



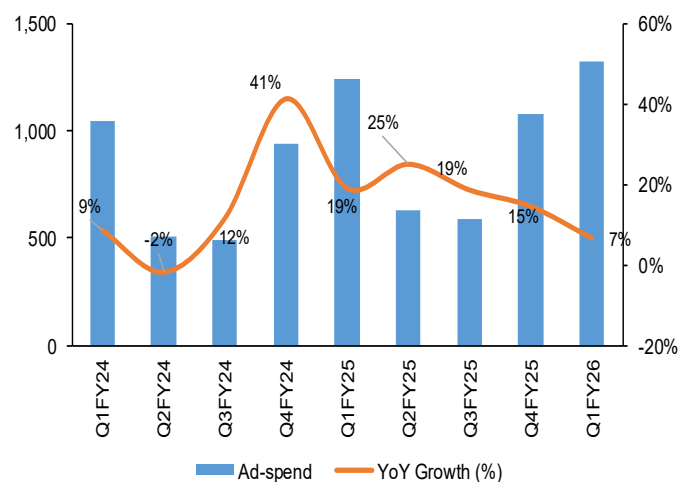
Trend in Ad-spend



EBITDA & EBITDA Margin



PAT & PAT Margin



Key Financials						
YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	20,091	22,426	23,152	26,912	30,093	33,600
Growth %	8%	12%	3%	16%	12%	12%
EBIDTA	3,448	3,473	3,188	3,743	4,611	5,498
Growth %	0%	1%	-8%	17%	23%	19%
Net Profit	3,089	3,104	2,669	3,469	4,158	4,905
Growth %	160%	0%	-14%	30%	20%	18%
Diluted EPS	48.5	48.8	41.9	54.5	67.1	80.2
Profitability & Valuation						
EBIDTA (%)	17.2%	15.5%	13.8%	13.9%	15.3%	16.4%
NPM (%)	15.4%	13.8%	11.5%	12.9%	13.8%	14.6%
ROE (%)	6.4%	6.1%	5.0%	6.1%	6.9%	7.5%
P/E (x)	42.5 x	42.3 x	49.2 x	37.9 x	30.7 x	25.7 x
Market Cap/Sales (x)	6.5 x	5.9 x	5.7 x	4.9 x	4.4 x	3.9 x

Source: Company, Bloomberg

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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