

Retail Equity Research

Zydu Wellness Ltd.

FMCG

BSE CODE : 531335                      NSE CODE: ZYDUSWELL

BLOOMBERG CODE: ZYWL:IN            SENSEX : 76,811

Hold

12 Months Investment Period                      Rating as per   Small Cap

CMP Rs. 1,862 TARGET Rs.2,046 RETURN 10% ↑

(Closing: 13-06-2024)

Healthy demand outlook and volume upturn...

- In Q4FY24, topline grew 10% YoY to Rs.783cr due to growth in personal care & food and nutrition segment.
- EBITDA grew 12% YoY to Rs.162cr and EBITDA margin improved marginally by 40bps YoY to 21%. Management expects margins to improve over the next two years.
- PAT stood flat YoY at Rs.150cr due to higher interest and tax expenses.
- Revenue is expected to grow at 11% CAGR over FY24-26E backed by new innovations and online & offline organised trade.
- Management focuses on generating constant double-digit revenue growth through distributor expansion, consumer-centric innovations, and increased marketing activities. The company currently trades at 1 Yr Fwd PE of 30x. We value at 31x P/E (5Yr Avg = 31)on FY26E EPS of Rs.66 and recommend Hold rating on the stock with a target price of Rs.2,046.

Topline led by healthy volume growth.....

Topline grew 10% YoY to Rs.783cr due to sustained rise in sales volume. Food and nutrition categories grew 6% YoY, while the personal care segment grew 23% YoY in Q4FY24. The key brands such as Glucon-D, Sugar Free, Nycil, Everyuth Scrub maintained their leadership position in respective categories. Glucon D maintained its No.1 position with a 59.5% market share. Complian has started showing signs of revival in the latter half of the year from a slowdown last year. The Sugar Free brand retained its leadership in the sugar substitute category with a 95.9% market share. Everyuth registered strong growth and continues to outpace segment growth. Nycil continues to be the No.1brand with a 35% market share in prickly heat powder. The company expects demand to pick up in the hope of a good monsoon and better macro-economic factors. Going ahead Revenue is expected to grow at 11% CAGR over FY24-26E backed by new innovations, online and offline organised trade and reduced cost.

Slow rise in EBITDA margin; Focus on strengthening distribution....

EBITDA margin improved marginally by 40bps YoY. Management expects margins to improve over the next two years on account of stable raw-material prices, cost efficiencies, and better operating leverage. PAT stood flat YoY at Rs. 150cr due to higher interest and tax expenses. The management is confident on regaining growth momentum and aimed at high single digit volume growth in FY25, led by innovation, distribution and its international foray and expect margins to revert over the next two years, aided by operating leverage and softer input prices.

Outlook & Valuations

Management anticipates double-digit revenue growth and margin expansion in FY25. In the medium term, the main focus is on generating constant double-digit revenue growth through distributor expansion, consumer-centric innovations, and increased marketing activities. The Scale-up of the international business and some of the new launches reaching maturity will improve growth prospects in the long run. Key brands of the company continue to maintain their strong leadership position and gain market share consistently. Margins are expected to improve with the correction in prices of key input materials. Muted performance in FY24 can be attributed to brand-specific issues, which dragged overall performance. The company currently trades at 1 Yr Fwd PE of 30x. We value at 31x (5Yr Avg = 31) and recommend Hold rating on the stock with a target price of Rs.2,046.

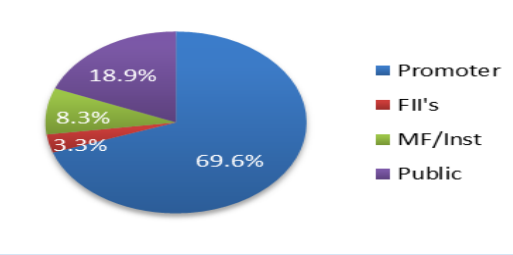
Company Background...

Zydu Wellness operates as an integrated consumer Company with business encompassing the entire value chain in the development, production, marketing and distribution of health and wellness products. The product portfolio of the Company includes brands like Sugar free, Everyuth and Nutralite. The company has been expanding its product range and market presence through organic growth and strategic acquisitions. It has also been actively involved in research and development to introduce innovative products in the wellness segment.

Company Data

Market Cap (Rs cr)	11,463
Enterprise Value (Rs cr)	11,471
Outstanding Shares (Rs cr)	6.4
Free Float	30.4%
Dividend Yield	0.3%
52 week high	1,813
52 week low	1,425
6m average volume (cr)	0.044
Beta	0.55
Face value (Rs)	10

Shareholding Pattern as on March-2024



Consolidated (Rs.cr)	FY24A	FY25E	FY26E
Sales	2,315	2,592	2,896
Growth (%)	3	12	12
EBITDA	308	418	503
Margin (%)	13	16	17
PAT Adj	267	394	422
Growth (%)	-14	48	7
Adj. EPS (Rs)	42	62	66
Growth (%)	-16	48	7
P/E (x)	43	29	27
P/B (x)	2.0	2.0	1.9
EV/EBITDA (x)	30	27	23
ROE (%)	5.1	7.0	7.2

Source: Bloomberg Best post event Consensus.

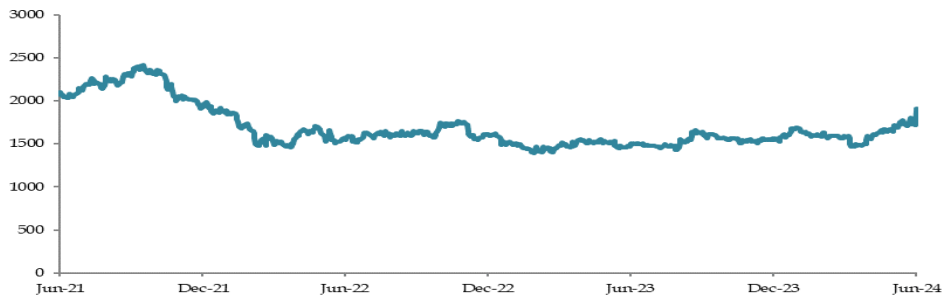
Quarterly Financials (Consolidated)

Profit & Loss

Rs (cr)	Q4FY24	Q4FY23	YoY Growth %	Q3FY24	QoQ Growth %	Comments
Sales	782.6	713.0	10	403.2	94.1	Growth due to volume upturn of products
EBITDA	162.2	144.6	12	12.7	1177	
EBITDA margins(%)	20.7	20.3	40bps	3.1	1,760bps	Growth due to higher prices, softer input costs, and operating leverage
Depreciation	5.70	6.60	-14	6.10	-7	
EBIT	156.5	138.0	13	6.6	-	
Interest	6.10	5.20	17	6.30	-3	
Other Income	4.0	0.7	471	21.6	-82	
Exceptional Items	0	7				
PBT	154.4	126.3	22	3.7	-	
Tax	4.10	-19.00	-122	3.70	21	
Share of profit from Associate	0.0	0.0				
Share of profit from joint venture	0.0	0.0	0	0.0	0	
Reported PAT	150.3	145.3	3	0.3	-	
Adjustments						
Adj PAT	150.3	145.3	3	0.3	-	PAT stood flat due to higher interest and tax expenses
No. of Shares (Cr)	6.4	6.4		6.4		
EPS (Rs)	23.62	22.83	3	0.05	-	

Source: Company

PRICE HISTORY ( Last 3 Years )



Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

**Definition:**  
**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note. **Accumulate:** Partial buying or to accumulate as CMP dips in the future.  
**Hold:** Hold the stock with the expected target mentioned in the note. **Reduce:** Reduce your exposure to the stock due to limited upside.  
**Sell:** Exit from the stock. **Not Rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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