

Result Update

Q3 FY26

Zydus Wellness Ltd.

Institutional
Research

Underlying Growth Intact, Investments Weigh on Near Term Margins

In Q3FY26 Zydu Wellness reported a robust consolidated revenue of Rs. 965 crores (up 108.9% YoY / up 48.3% QoQ), driven largely by recent acquisitions and broad-based growth across its portfolio. EBITDA expanded largely to Rs. 61 crores (up 312.2% YoY / up 185.0% QoQ), reflecting improved operating leverage and cost management. Despite higher advertising and promotional spending, the company delivered a meaningful improvement in EBITDA margins. However, on a Profit After Tax (PAT) basis, the company reported a consolidated net loss of Rs. 39.9 crores in Q3FY26, a significant swing from a profit year ago quarter, mainly due to acquisition-related costs, financing expenses and exceptional items. Gross contribution also grew robustly, jumping over 170 % YoY, underscoring strengthening core margins. The company increased brand and marketing investments to support long-term growth, and key categories such as sugar alternatives and personal care continued to perform well this quarter. Comfort Click strengthened its portfolio with the launch of four variants in gummies for adults, a probiotic gummy for kids, and pure Himalayan shilajit resin, reinforcing its presence in the high-growth wellness categories. The brand 'WeightWorld' advanced its expansion into the European markets by entering Poland, Finland and Portugal, thereby strengthening Comfort Click's geographic footprint.

Valuation and Outlook

Based on the Q3FY26 performance, Zydu Wellness is entering a gradual recovery phase, with underlying business momentum improving despite near-term profitability pressure. Revenue growth in the core portfolio remains healthy, with the business excluding seasonal brands and Comfort Click delivering double-digit growth, indicating strong fundamentals. Margin expansion at the gross level, aided by the higher-margin Comfort Click business, reflects improving product mix; however, elevated advertising and investment spends are likely to keep EBITDA growth moderated in the near term. Performance of RiteBite Max Protein continues to strengthen, supported by improving repeat purchases and distribution expansion, while stable trends in Comfort Click over the last few months reduce execution risk. With rural demand showing faster recovery, exceptional costs expected to normalize, and operating leverage to play out over the medium term, the company appears well positioned to deliver progressive margin improvement, supporting management's 16–17% EBITDA margin target over the next two years, with FY26 likely marking the earnings trough.

Key Highlights

Particulars (Rs. Crs.)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales	965	462	108.9%	651	48.3%
Gross profit	612	226	170.3%	344	77.7%
Gross margin (%)	63.4%	49.0%	1441 bps	52.9%	1049 bps
EBITDA	61	15	312.2%	21	185.0%
OPM (%)	6.3%	3.2%	312 bps	3.3%	303 bps
PAT	-33	6	-620.3%	-19	79.0%
PAT Margin	-3.5%	1.4%	-484 bps	-2.9%	-59 bps

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	401
BSE code	531335
NSE Symbol	ZYDUSWELL
Bloomberg	ZYWL IN
Reuters	ZYDS.BO

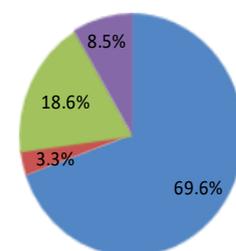
Key Data

Nifty	25,776
52 Week H/L (Rs.)	531/299
O/s Shares (Crs.)	32
Market Cap (Rs. Crs.)	12,771
Face Value (Rs.)	2

Average Volume

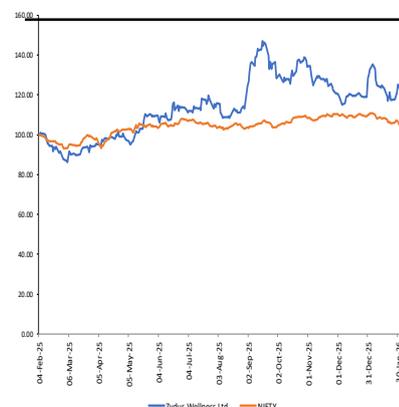
3 months	3,51,799
6 months	3,03,351
1 year	1,88,402

Share Holding Pattern (%)



■ Promoters ■ FIIs ■ DII's ■ Public

Relative Price Chart



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Key Concall Highlights

Demand environment

Rural demand recovery is currently outpacing urban demand, supporting volume growth across categories.

Management indicated that the current financial year could represent the bottom of the earnings cycle.

New launches and brand updates

Neutralite expanded its portfolio with the launch of a new product, D'Lite, while WeightWorld launched gummies.

Comfort Click has shown stable performance over the past four months with no major positive or negative surprises. This category has significant market potential, though scaling up the business will take time.

It has achieved over a 50% repeat purchase rate on online marketplaces, indicating strong consumer acceptance.

The brand currently employs over 300 people, reflecting management's long-term growth focus.

"The company is steadily building long-term growth through new product launches, stable early traction, and strong repeat demand, despite gradual scaling expectations."

RiteBite - Max Protein

RiteBite Max Protein is now present across nine international markets, with the wafer bar segment performing well.

Repeat purchases are improving, with sequential expansion in retail outlet coverage.

Management has increased investments in RiteBite Max Protein to accelerate brand growth.

Gross margins for Max Protein are in line with the core business, excluding Comfort Click.

The brand continues to generate double-digit standalone EBITDA margins.

"RiteBite Max Protein is scaling up profitably with international expansion, improving repeat demand, and increased investments, while maintaining strong double-digit EBITDA margins."

Financial performance & margins

Gross margin expansion during the quarter was driven by the higher margin Comfort Click business.

Consolidated gross margins at around 66% are expected to remain sustainable going forward.

Advertising and promotion expenses are likely to stay elevated due to aggressive spending behind Comfort Click.

Other expenses increased primarily due to higher investments in RiteBite Max Protein and Comfort Click.

"Gross margins strengthened on the back of Comfort Click and are expected to sustain, though higher ad spends and investments will keep overall costs elevated."

EBITDA to PAT movement

The movement from EBITDA to PAT was impacted by acquisition-related interest costs, amortization of acquired brands, and exceptional items including labour code-related expenses.

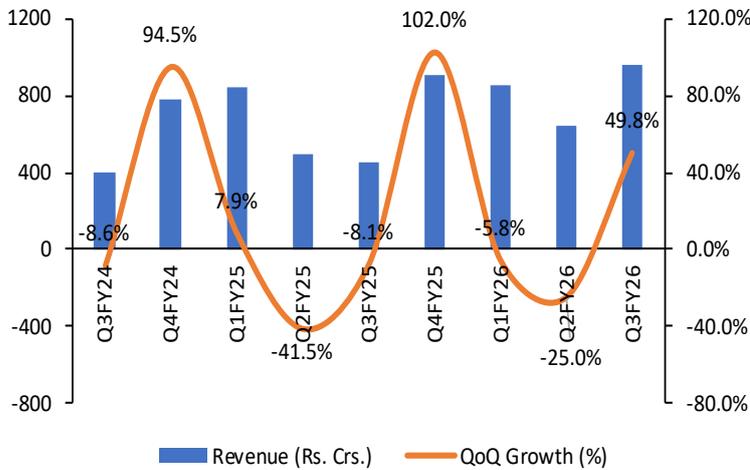
Expansion & Outlook

Management plans to expand Animigi gradually, with meaningful scale-up expected over time.

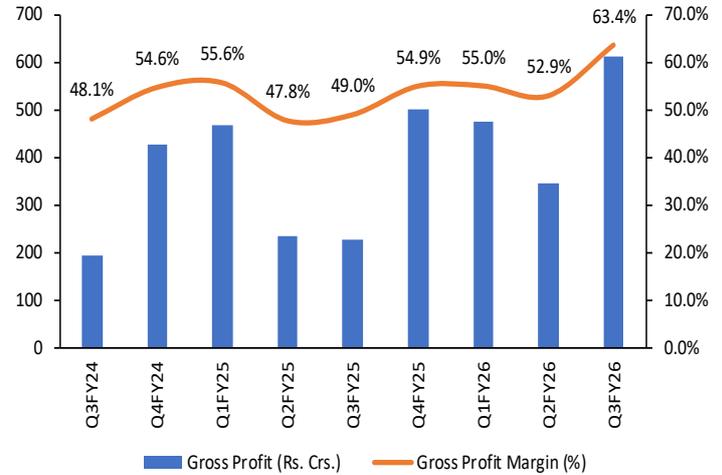
Zydus Wellness targets EBITDA margins of 16–17% over the next two years, driven by operating leverage and portfolio mix improvement.

Quarterly Snapshot

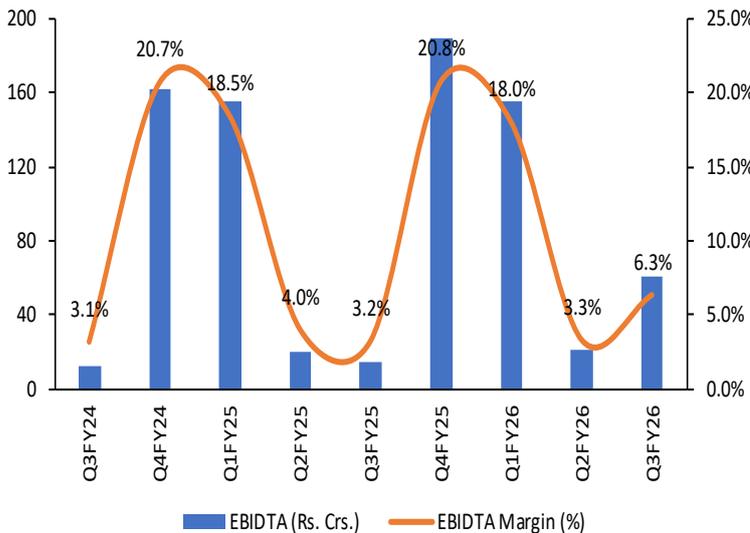
Robust revenue growth



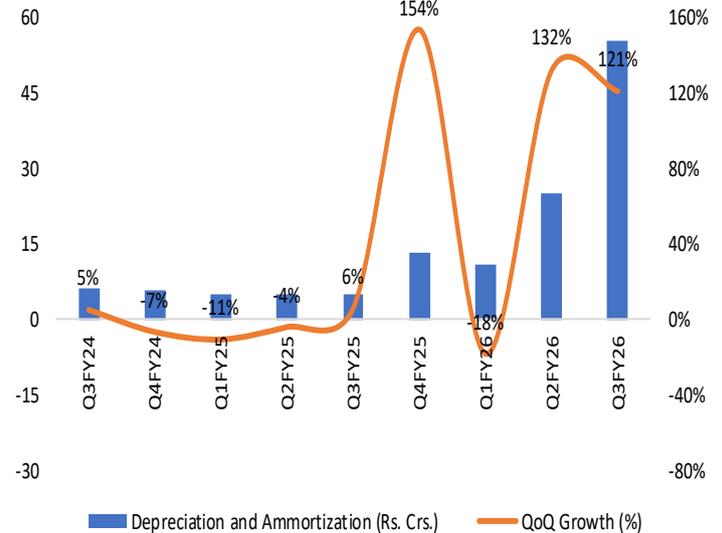
Gross margin improved significantly



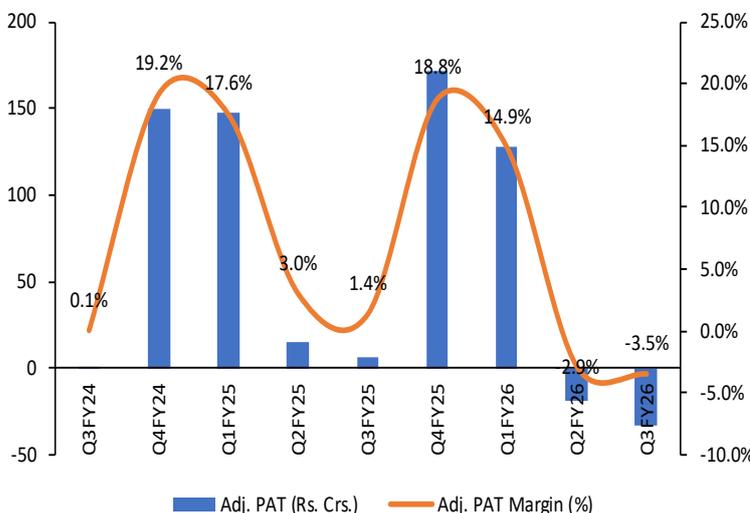
Improved cost discipline resulted in higher EBIDTA margins



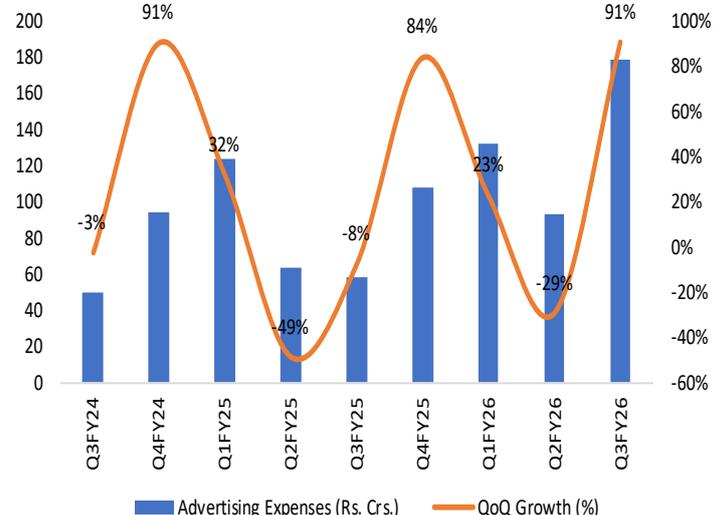
Depreciation increased due to Comfort Click acquisition



PAT margins dipped, impacted by elevated depreciation



Increased advertising expenses for market penetration



Source: Company, BP Equities

Key Financials

YE March (Rs. Crs.)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	2,255	2,328	2,709	3,851	5,248	5,997
<i>Revenue Growth (Y-o-Y)</i>	12.2%	3.2%	16.4%	42.1%	36.3%	14.3%
EBITDA	337	308	379	567	807	966
<i>EBIT Growth (Y-o-Y)</i>	(1.5%)	(8.6%)	23.0%	49.5%	42.4%	19.7%
Net Profit	310	267	347	312	423	529
<i>Net Profit Growth (Y-o-Y)</i>	0.5%	(14.0%)	30.0%	(10.2%)	35.8%	25.0%
Diluted EPS	9.8	8.4	10.9	9.8	13.3	16.6
<i>Diluted EPS Growth (Y-o-Y)</i>	0.5%	(14.0%)	30.0%	(10.2%)	35.8%	25.0%

Profitability Ratios

EBITDA (%)	15.0%	13.2%	14.0%	14.7%	15.4%	16.1%
NPM (%)	13.8%	11.5%	12.8%	8.1%	8.1%	8.8%
ROE (%)	7.7%	4.7%	6.5%	5.7%	7.4%	8.7%
ROCE (%)	7.8%	5.9%	6.4%	39.5%	45.2%	48.2%

Valuation Ratios

P/E (x)	42.9x	49.9x	38.4x	42.8x	31.5x	25.2x
EV/EBITDA	39.5x	43.0x	35.0x	23.4x	16.4x	13.7x
P/BV (x)	3.3x	2.3x	2.5x	2.4x	2.3x	2.2x
Market Cap. / Sales (x)	5.9x	5.7x	4.9x	3.5x	2.5x	2.2x

Source: Company, BP Equities

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

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