Stock Update

Company Update

MIRAE ASSET Sharekhan

Zydus Wellness Ltd

Comfort Click acquisition paves way for higher global presence

Consumer Goods	Sharekhan code: ZYDUSWELL

Reco/View: Buy	⇔	CMP: Rs. 2,319	Price Target: Rs. 2,688	↑

3R MATRIX

	+	=	-
Right Sector (RS)		✓	
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

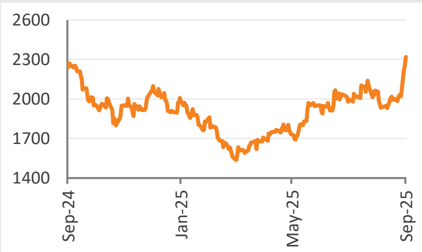
Company details

Market cap:	Rs. 14,757 cr
52-week high/low:	Rs. 2,350 / 1,493
NSE volume: (No of shares)	0.8 lakh
BSE code:	531335
NSE code:	ZYDUSWELL
Free float: (No of shares)	1.9 cr

Shareholding (%)

Promoters	69.6
FII	3.9
DII	19.3
Others	7.2

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	12.8	18.9	50.4	3.6
Relative to Sensex	13.3	19.2	40.1	6.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Zydus Wellness Limited (ZWL) has acquired 100% stake in Comfort Click Ltd (CCL), which operates in UK and major European markets. This marks ZWL's first overseas acquisition and its entry into the Vitamins, Minerals and Supplements (VMS) segment.
- Deal worth ~Rs. 2,800 crore is valued at ~2x EV/sales. Management expects acquisition to be cash EPS accretive from the first year of acquisition.
- Diversified portfolio in VMS segment, digital-first approach and opportunity to expand in international markets makes CCL a strategic fit.
- ZWL trades at 36x/30x its FY26E/FY27E EPS, respectively. We maintain a Buy with a revised PT of Rs. 2,688.

ZWL's wholly owned subsidiary, Alidac UK Limited, has announced the acquisition of 100% stake in UK-based Comfort Click Limited (CCL) including its three subsidiaries in Ireland, US and India for ~Rs. 2,800 crore (£239 million). CCL has a strong and diversified portfolio in the VMS segment with presence across the adults, kids and pets categories. Its operations are spread across UK and Europe (EU) and is expanding its operations in the US. CCL's acquisition marks ZWL's first overseas acquisition. Considering CCL's FY25 (Jul-24 to June-25) revenue of ~Rs. 1,500 crore, the transaction is valued at ~2.0x EV/sales. Acquisition is expected to be cash EPS-accretive from the first year of acquisition. It is in line with ZWL's strategy to expand its presence in the international markets and deepening its capabilities in consumer-centric health, presence in digital health and personalised wellness.

- **Strong portfolio with presence in high-growth VMS segment:** CCL has a strong and diversified portfolio across adult, kids and pet categories in the VMS segments. Its portfolio comprises three brands: (i) WeightWorldTM, which includes plant-based supplements, vitamins and minerals, collagen, Omegas, probiotics, and micronutrients, and sports nutrition for adults, (ii) MaxmedixTM a specialty VMS gummy brand which caters to all paediatric nutritional requirements and (iii) Animigo a natural pet VMS brand which offers a range of pet care products. VMS market in Europe is estimated to be worth ~£11 billion. With rising health consciousness, increasing preventive healthcare adoption, and the expansion of e-commerce and digital health platforms, the market is expected to post strong growth in the coming years.
- **Deal valuations attractive:** Under the share purchase agreement (SPA) signed with the sellers, Alidac acquired 100% of the outstanding ordinary shares of Class A and Class B, 71.43% of non-controlling ordinary shares of Class C, and 66.67% of non-controlling ordinary shares of Class D. As a result, CCL has become a wholly owned subsidiary of Alidac and a step-down subsidiary of ZWL. The transaction was completed for ~Rs. 2,800 crore (£239 million), plus an agreed profit ticker from March 31, 2025, until closing (i.e. August 29, 2025), as reduced by permitted leakages and subject to customary adjustments under the terms of the agreement. Considering CCL's FY25 (Jul'24-June'25) revenue of ~Rs. 1,500 crore, the transaction is valued at ~2.0x EV/Sales.
- **Strong financials; acquisition to be cash EPS accretive:** CCL has delivered strong CAGR of ~57% over past five years through the launch of innovative and new-age products. A majority of CCL's revenue is generated through e-commerce and Direct-to-Consumer (D2C) channels. The company has been recognised in 2024 and 2025, as one of the top 1000 fastest-growing companies in Europe by the Financial Times. For FY25, it reported an adjusted operating profit of £21 million, with margins of 15.6%, ahead of ZWL's own margins of 14%. Acquisition is expected to be cash EPS accretive from the first year of acquisition.

Our Call

View – Maintain Buy with a revised PT of Rs. 2,688: CCL's acquisition will help strengthen ZWL's global capabilities through its presence in UK and Europe and deepening ZWL's presence in the digital health and personalised wellness through its digital-first approach. ZWL's management is confident of delivering double-digit revenue growth and improvement in margins in FY26. In the medium term, a large focus is on achieving consistent double-digit revenue growth through distribution expansion, doing consumer-centric innovations, and higher marketing campaigns. We expect revenue and PAT to report a CAGR of 12% and 20%, respectively, during FY25-FY27E. Stock trades at 36x/30x its FY26E/FY27E EPS, respectively. With ZWL expanding its presence in the international markets, we expect better valuations and revise PT to Rs. 2,688, maintaining a Buy rating on the stock.

Key Risks

Slowdown in sales of key categories or disruption caused by the weakening of consumer sentiments or any seasonal vagaries remains key risk to our earnings estimates.

Valuation (Consolidated) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	2,255	2,328	2,709	3,062	3,399
OPM (%)	15.0	13.2	14.0	15.0	15.6
Adjusted PAT	320	277	342	410	488
% YoY growth	3.7	-13.4	23.4	19.6	19.3
Adjusted EPS (Rs.)	50.4	43.6	53.8	64.4	76.8
P/E (x)	46.1	53.2	43.1	36.0	30.2
P/B (x)	2.9	2.8	2.6	2.4	2.3
EV/EBITDA (x)	43.4	47.3	38.6	31.9	27.4
RoNW (%)	6.4	5.3	6.2	7.0	7.8
RoCE (%)	6.0	5.4	6.3	7.3	8.1

Source: Company; Mirae Asset Sharekhan estimates;
Note: We will incorporate Comfort Click financials once there is more clarity on funding aspects.

Multiple strategic triggers from the deal

- Presence in complementary geographies
- Strong portfolio with presence in the high-growth VMS segment for adults, paediatrics, and animal health
- Majority of revenues from e-commerce and direct-to-consumer (D2C) channels
- Access to UK and US markets for ZWL's existing portfolio
- Potential to introduce Comfort Click's VMS products in India

Source: Company; Mirae Asset Sharekhan Research

Strengthening global footprint with complementary geographies

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Volumes and margins to recover gradually

Consumer goods companies are seeing early signs of recovery with volume growth of most companies improving. We expect gradual uptick in volume growth on low base in the coming quarters driven by expectations of good monsoon, income tax benefits, interest rate cuts, and a gradual improvement in the macroeconomic environment. We believe large improvement in the volume growth could be seen in H2FY26 amid stable demand. We expect margins to remain lower in the coming quarters and if input prices stabilise in the coming months, we might see margins rise from H2FY26.

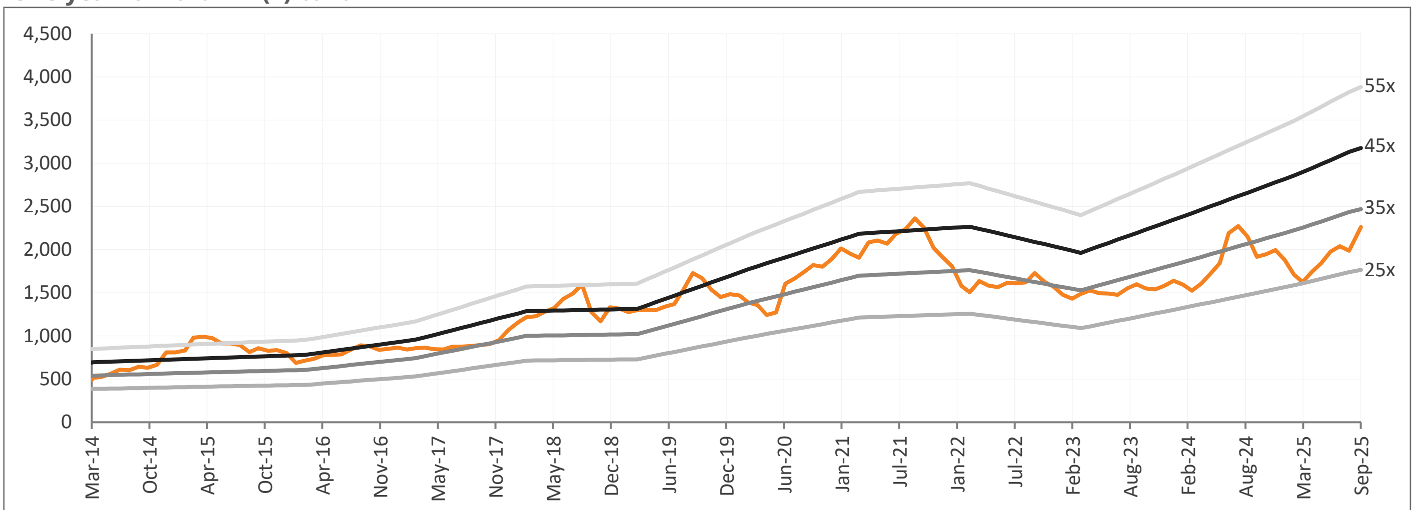
■ Company Outlook – Strong growth ahead driven by multiple levers

ZWL banks on three pillars – accelerating growth of core brands, building international presence, and significantly growing scale – to drive growth. The acquisition of Comfort Click is in line with ZWL's strategy to expand its presence in the international markets and deepening its capabilities in the consumer-centric health and wellbeing solutions. Scale-up of international business and some of new launches maturing will improve growth prospects in the long run. Key brands maintain their strong leadership position and gain market share consistently. Margins are expected to improve with the correction in prices of key input materials and better operating efficiencies.

■ Valuation – Maintain Buy with a revised PT of Rs. 2,688

CCL's acquisition will help strengthen ZWL's global capabilities through its presence in UK and Europe and deepening ZWL's presence in the digital health and personalised wellness through its digital-first approach. ZWL's management is confident of delivering double-digit revenue growth and improvement in margins in FY26. In the medium term, a large focus is on achieving consistent double-digit revenue growth through distribution expansion, doing consumer-centric innovations, and higher marketing campaigns. We expect revenue and PAT to report a CAGR of 12% and 20%, respectively, during FY25-FY27E. Stock trades at 36x/30x its FY26E/FY27E EPS, respectively. With ZWL expanding its presence in the international markets, we expect better valuations and revise PT to Rs. 2,688, maintaining a Buy rating on the stock.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Dabur India	55.4	49.1	43.6	41.9	37.6	33.6	19.5	20.8	22.1
Zydus Wellness	43.1	36.0	30.2	38.6	31.9	27.4	6.3	7.3	8.1

Source: Company; Mirae Asset Sharekhan Research

About company

ZWL is the listed entity of Zydus Group and a company dedicated to health and wellness through its two core segments: Food & Nutrition and Personal Care. With the launch of India's first zero calorie replacement of sugar, called Sugar Free, in 1988, ZWL began its journey as India's leading consumer wellness company. Since then, it has grown into a larger business, spanning the entire wellness spectrum with seven power brands – Complan, Sugar Free, I'm lite, Glucon-D, Everyuth, Nycil, and Nutralite. The company is the market leader in most of its product categories.

Investment theme

Zydus has a strong brand portfolio that leads its respective categories. Sugar Free brand has a ~95% market share in the artificial sweetener category, while Glucon-D has a ~59% market share. Over the past three years, the company has consolidated and grown its market share across categories, launched multiple innovations, doubled its direct distribution reach, made significant strides in growing business ahead of the category in both online and offline organised trade, reduced cost, and simplified the organisation, leading to synergy benefits. We expect revenue and PAT to report a CAGR of 12% and 20%, respectively, during FY25-FY27E.

Key Risks

- ZWL is largely present in niche categories, which are discretionary in nature. Any slowdown in the macro environment would affect growth of these categories.
- ZWL is facing stiff competition in skin care products such as face wash and scrubs from multinationals, which has affected revenue growth of these categories.

Additional Data

Key management personnel

Name	Designation
Sharvil Pankaj Patel	Chairman
Tarun Gian Arora	Chief Executive Officer
Umesh Parikh	Chief Financial Officer
Nandish P. Joshi	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	PPFAS Asset Management	6.91
2	Nippon Life Asset Management Ltd.	5.94
3	Quant Money Managers Ltd.	4.44
4	Vanguard Group Inc.	1.13
5	Bharti AXA Life Insurance Co Ltd	0.36
6	Norges Bank	0.35
7	Bajaj Finserv Mutual Fund	0.33
8	Dimensional Fund Advisors LP	0.32
9	Blackrock Inc	0.14
10	Baroda Mutual Fund Ltd	0.09

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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