

## Strong recovery led by summer brands...

**About the stock:** Zydus Wellness (ZWL) is one of the FMCG companies present in healthcare, nutrition & related products. The company has six brands i.e. Sugarfree, Complian, Glucon-D, Nycil, Everyuth & Nutrilite

- It commands dominant market share in Sugar substitute (96%), Prickly heat powder (34.2%) & Glucose powder (60.4%) categories
- The company has more than 850 distributors with direct reach of 0.6 million retail outlets. Its high gross margins at ~55% give it a leeway to spend ~13% of sales on advertisement to support new products

**Q1FY23 Results:** Zydus reported healthy results with 10.3% volume growth

- Sales were up 16.6%YoY led by 10.3% volume growth & 6% price hikes
- EBITDA was at ₹ 148.1 crore, up 5.5% YoY, with margins at 21.3%
- Consequent adjusted PAT was at ₹ 139.9 crore, growth of 6.9%

**What should investors do?** Zydus wellness share price has given 83% return in last five years (from ₹ 885 in July 2017 to ₹ 1618 in July 2022)

- We cut our FY23 & FY24E earnings estimate by 8.1% & 2.2% respectively due to high inflation in commodity prices specifically in H1FY23
- We continue to maintain our BUY rating on the stock

**Target Price and Valuation:** We value the stock at ₹ 2100 on ascribing 30x FY24 earnings multiple

**Key triggers for future price performance:**

- RM inflation is likely to cool down by H2FY23, which would give leeway to spend behind brands aggressively. Likely to perk up volume growth
- Brand extensions & new variant launches in Glucon-D, Complian, Sugarfree, Nutralite to aid revenue growth
- Expansion in direct distribution, chemist channel sales & doctor's advisory to play pivotal role in growing the business

**Alternate Stock Idea:** We like Dabur in our FMCG coverage

- Significant shift in consumption towards healthier, natural & Ayurveda based products & aggressively foray in many big categories (edible oil, carbonated drink, household insecticides, fruit drinks) would be driving growth for Dabur
- Value the business 52x FY24 earnings. BUY with TP of ₹ 680



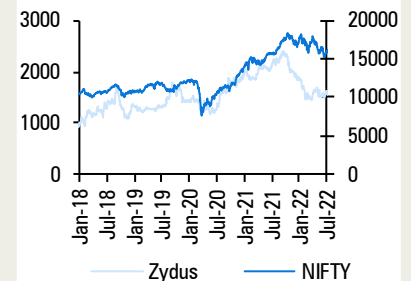
### Particulars

Particulars (₹ crore)	Amount
Market Capitalization	10,254.3
Total Debt (FY22)	381.5
Cash and Investments (FY22)	196.8
EV	10,439.0
52 week H/L (₹)	2472/ 1431
Equity capital	57.7
Face value (₹)	10.0

### Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	64.8	64.8	64.8	65.1
FII	2.9	3.4	2.6	2.4
DII	25.5	24.8	25.1	25.1
Others	6.8	7.0	7.5	7.4

### Price Chart



### Recent event & key risks

- ZWL is expanding its direct distribution network to 1 lakh outlets in next three years
- Key Risk:** (i) Persistent inflation in Milk could continue to pressurise margins in longer run (ii) High competitive intensity in Complian

### Research Analyst

Sanjay Manyal  
sanjay.manyal@icicisecurities.com

### Key Financial Summary

₹ Crore	FY20	FY21	FY22	5 Year CAGR (FY17 to FY22)	FY23E	FY24E	CAGR FY22-24E
Net Sales	1,763.7	1,866.7	2,009.1	36.1%	2,258.3	2,494.3	11.4%
EBITDA	318.0	344.4	344.8	28.3%	408.3	492.4	19.5%
EBITDA Margin %	18.0	18.4	17.2		18.1	19.7	
Adjusted Net Profit	182.8	250.9	308.9	23.2%	366.0	451.5	20.9%
Adjusted EPS (₹)	31.7	39.4	48.5	28.3%	57.5	71.0	20.9%
Adjusted P/E (x)	50.8	40.9	33.2		28.0	22.7	
RoCE (%)	5.8	6.2	6.1		7.1	8.4	
RoE (%)	5.3	5.5	6.4		7.3	8.7	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter

### Q1FY23 Results: High Inflation delays potential volume growth trajectory; Expected cooling off inflation to drive growth from H2FY23 onwards

- Revenue witnessed a strong recovery with 16.6% growth to ₹ 696.8 crore led by 10.3% volume growth & 6% pricing growth. The growth was led by healthy demand of summer products (Glucon-D, Nycil). However, 3 Year CAGR sales growth was 4%(3.0-3.5% volume growth), which is below brands potential growth.
- Glucon-D gained market share by 203 bps to 60.4% in Glucose powder category. The brand witnessed double digit growth led by demand recovery from covid-19 impacted two consecutive summers. The company launched 20-gram sachet to drive penetration. It launched new variant of 'Kaccha Mango' in Immunovolt.
- Nycil saw robust double digit growth in peak summer months. Nycil is number 1 brand in prickly heat powder category & holds value market share of 34.2% & volume market share of 37.6%. The availability of the brand increased by 16.5% to 1.67 million outlets
- Glucon-D is largely consumed from March-August & primary sales happens between Jan-June. Average household consumption of Glucon-D is 1.5 packs. However, Covid disruption resulted in reduction in penetration & the company is re-recruiting consumers through media campaigns, local activation in UP & Bihar & direct distribution enhancement. Similar strategies have been used for Nycil as well.
- Everyuth brand witnessed strong double digit growth supported by TV & digital campaigns. Everyuth brands now holds 6.6% in overall facial cleansing segment with 41.8% market share (up 511 bps) in facial scrub and 76% market share in peel-off category. The availability of the brand increased to 6.8 lakh outlets against 6.0 lakh last year
- In Skincare category, the company is looking to develop categories of peel offs & scrubs. Though, there are many other sub-categories but potential & size of these is very small.
- This was relatively soft quarter for Sugarfree brand given base quarter witnessed robust growth due to high diabetic consumption during Covid-19 second wave. The brand holds market share of 95.5% in artificial sweetener category & the company is promoting stevia based sugarfree green variants. Sugar-free distribution network reached to 4.97 lakh outlets
- Nutralite saw strong growth on low base quarter. The company has been focusing on spreads & milk products. Nutralite Dhoodhshakti ghee has been expanded in institutional channels.
- In HFD (health food drink) category, Complian holds market share of 4.8% (lost market share by ~80 bps). The category growth has been laggard in last few years due to down trading to LUPs (Low unit packs) & lower priced pouch. Though, the company is holding its market share in large packs & kid's category, it has been slow in response in LUPs & low price point pack (it's a low margin SKUs) due to competition cutting down the prices. The sachets have not been able to drive the consumption yet. There is possibility of cannibalisation from last packs. The company is looking to hold market share in MFD.
- International business has been extended to Hong Kong, Lebanon, Zimbabwe, Muscat, Ethiopia and Australia in FY22 & it has launched new extensions to Sugar free - Sugar Free D'Lite Cookies and Sugar Free D'Lite Chocolate spread - in international markets during FY22. Sugar-free franchise & Complian constitutes 93% of total business. Top five markets constitute 80% of the sales. The company is targeting 8-10% revenue contribution from international territories

- Milk, refined palm oil, Aspartame prices have been up by 20%, 25% & 55% in last one year. Simultaneously diesel prices have also been high, which is adversely impacting overhead spends for the company. Volume growth has also been impacted by inflation specifically in rural regions. The company has taken calibrated price increase, build up RM inventory at right time & infuse cost reduction programmes to fight inflationary pressure.
- With the continued upsurge in major commodities like milk, crude based packaging costs, gross margins contracted by 112 bps during the quarter. Though, palm oil prices have witnessed softening in last one months, we believe the benefit of that would be reflected in coming quarters only. The company increased its ad-spend by 221 bps in order to spend behind summer brands in the season. Employee & overhead spends were lower by 72 bps & 38 bps respectively.
- The contraction in gross margins & high advertisement spend resulted in operating profit growing at a slower pace of 5.5% to ₹148.1 crore. Operating margins contracted by 224 bps to 21.3%. Net profit also grew at a slower pace of 4.7% to ₹137 crore in line with operating profit growth.
- Consumer demand has been a challenge due to inflation & will continue to remain a challenge for one more quarter. Rural growth has been reasonable due to larger presence of Glucon-D & Nycil. However, with the expected cooling down by inflation, demand is likely to come back in few quarters
- The category size of HFD is ₹6750 crore, Glucose powder category size is ₹900 crore & sugar substitute category is ₹325 crore (Nielsen is revaluating category sizes). The opportunity size of all of existing category in large & the company is looking to increase existing brands. Hence, large acquisition is not required but the company is now only looking for bolt-on acquisition to fill the gap in product portfolio or geographies
- In terms of channels, Modern trade & Ecom contribution to sales increased from 14% in FY21 to 18% in FY22 & it has the potential to reach 25% in net few years. E-Com contribution specifically has reached to 6.5% as against 5.9% last year. The company has a direct reach of 6 lakh outlets & it is planning to increase it to 1.0 million stores in next three years

**Exhibit 1: Peer Comparison**

Sector / Company	CMP	TP	M Cap	Sales growth (%)			EBITDA Margins (%)			P/E(x)			RoE (%)			RoCE (%)		
	(₹)	(₹) Rating		(₹ Cr)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E
Hindustan Unilever (HINLEV)	2637	2700 Hold	610844	11.3	12.1	7.5	24.8	24.1	24.5	69.3	63.6	58.0	18.1	19.7	21.5	20.2	22.5	24.6
Nestle (NESIND)	19352	21600 Hold	184201	10.2	11.9	10.5	24.4	23.2	20.3	79.4	80.2	65.0	111.3	111.1	118.3	58.7	57.0	64.7
Zydus Wellness (ZYDWEL)	1612	2100 Buy	10254	7.6	12.4	10.5	17.2	18.1	19.7	33.2	28.0	22.7	6.4	7.3	8.7	6.1	7.1	8.4

Source: Company, ICICI Direct Research

Zydus wellness was adversely impacted by Covid-19 in last two years given summer months constitutes major sales. The strong growth in Q1 reflecting recovering to the pre-covid levels however, on a 3-year cagr basis, the sales growth is still below par at 4%. Simultaneously, high inflation in milk, palm oil & crude based packaging costs resulted in contraction in gross as well as operating margins. We believe high inflation has also impacted demand given most of the brands are niche & discretionary in nature. We believe softening of commodity inflation would recover margins & perk up volumes in next few quarters. We believe efforts towards launching new variants in most of the brands, building direct distribution network & leveraging E-Com & Modern trade channel would result in stronger volume growth from H2FY23 onwards. The stock is trading at significant discount to its FMCG peers. We maintain our **Buy** recommendation of the stock with the revised target price of ₹ 2100 / share (earlier: ₹ 2200/share)

Exhibit 2: Variance Analysis

	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Net Sales	696.8	597.6	16.6	639.8	8.9	Net sales witnessed a growth of 16.6% led by 10.3% volume growth led by strong double digit growth in summer brands Glucon-D & Nycil.
Raw Material Expenses	318.6	266.5	19.5	338.7	-5.9	Gross margins contracted by 112 bps on account of elevated prices of Milk, palm oil & crude based packaging cost
Employee Expenses	45.1	43.0	4.9	40.1	12.5	Employee spends were down 72bps
SG&A Expenses	96.2	69.3	38.9	64.8	48.3	Marketing spends increased by 223 bps on the back of aggressive ad-campaigns for summer products
Other operating Expenses	88.8	78.4	13.3	79.0	12.4	Overhead spends were down 38 bps as company continued cost rationalisation measures
EBITDA	148.1	140.4	5.5	141.5	4.7	
EBITDA Margin (%)	21.3	23.5	-224 bps	22.1	-86 bps	Operating margins contracted by 223 bps due to high marketing spends & contraction in gross margins
Depreciation	6.0	5.6	8.1	6.1	-0.7	
Interest	4.1	6.4	-35.5	6.0	-30.8	
Other Income	2.0	2.4	-18.4	2.0	-0.5	
PBT	139.9	130.8	6.9	131.4	6.5	
Exceptional Items	-2.9	0.0	NA	0.0	NA	Exceptional expense due to closer of Sitarganj plant. The company is optimising its manufacturing capacities
Tax Outgo	0.0	0.0	NA	-1.9		
PAT	137.0	130.8	4.7	133.3	2.8	
Adjusted PAT	139.9	130.8	6.9	133.3	4.9	Adjusted net profit grew by 6.9%

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	% change	Old	New	% change	
Sales	2,258.3	2,258.3	0.0	2494.3	2494.3	0.0	No change in sales estimate
EBITDA	440.4	408.3	-7.3	502.6	492.4	-2.0	
EBITDA Margin (%)	19.5	18.1	-142 bps	20.1	19.7	-41 bps	With the elevated commodity inflation in H1FY23, we cut our operating margin estimates
Adjusted PAT	398.1	366.0	-8.1	461.6	451.5	-2.2	
EPS (₹)	62.6	57.5	-8.1	72.5	71.0	-2.2	Factoring in exception expense during Q1

Source: ICICI Direct Research

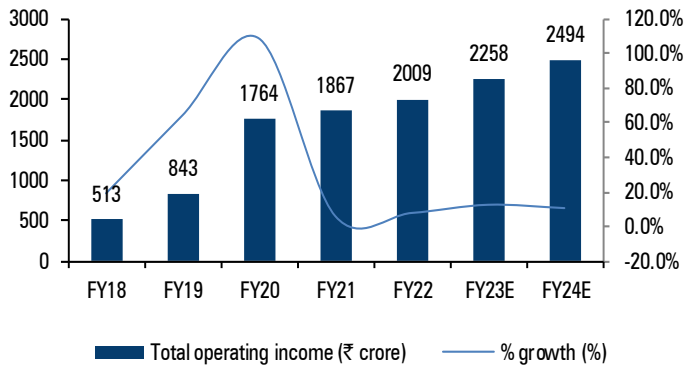
Exhibit 4: Assumptions

	Current					Earlier			Comments
	FY20E	FY21E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	
Sugarfree & others (₹ crore)	344.7	386.0	433.6	477.6	521.3	433.6	477.6	521.3	
Everyuth (₹ crore)	178.3	169.9	197.6	225.7	250.9	208.0	225.7	250.9	
Glucon D (₹ crore)	472.0	505.3	535.9	584.9	656.2	551.2	584.9	656.2	
Complan (₹ crore)	378.0	404.5	445.3	486.0	535.3	457.5	486.0	535.3	
RM / Sales (%)	42.7	39.8	44.0	43.4	42.4	42.4	42.0	42.0	We change our Raw material expense estimates due to persistent commodity inflation in H1FY23

Source: ICICI Direct Research

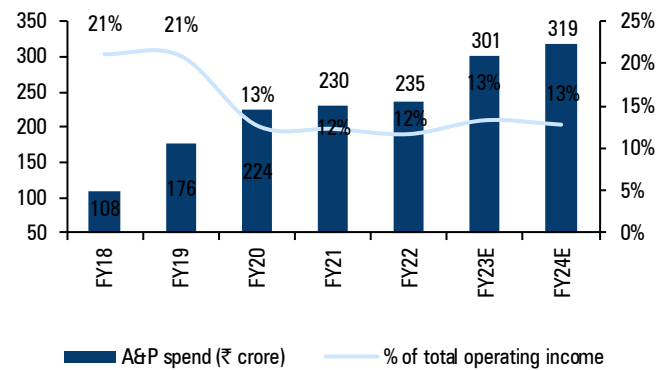
## Key Metrics

Exhibit 5: Revenue & revenue growth trend



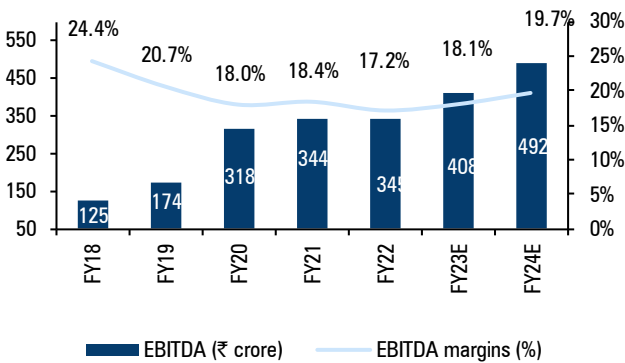
Source: ICICI Direct Research, Company

Exhibit 6: Marketing spend trend



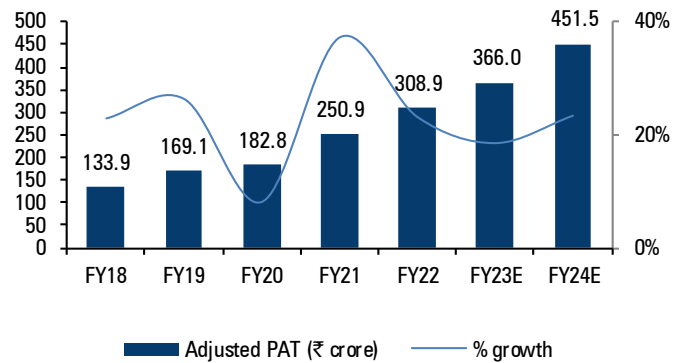
Source: ICICI Direct Research, Company

Exhibit 7: Operating margins trend (%)



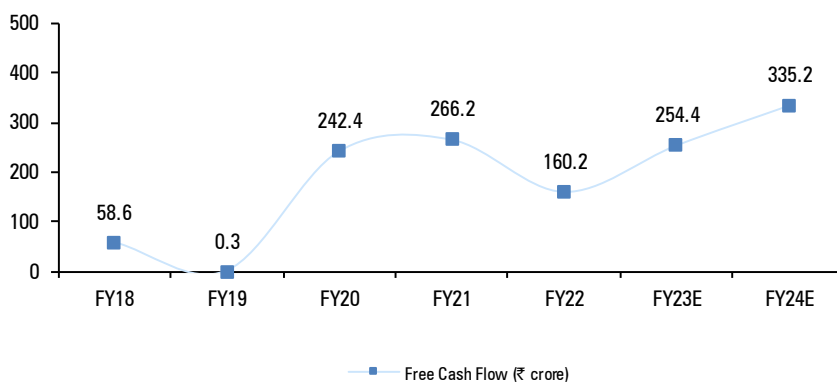
Source: Company, ICICI Direct Research

Exhibit 8: Adjusted PAT growth trend



Source: Company, ICICI Direct Research

Exhibit 9: Free Cash Flow (₹ crore)



Source: ICICI Direct Research

Exhibit 10: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY21	1866.7	5.8	39.4	24.3	86.4	30.6	5.5	6.2
FY22	2009.1	7.6	48.5	23.1	33.2	30.4	6.4	6.1
FY23E	2258.3	12.4	57.5	18.5	28.0	25.6	7.3	7.1
FY24E	2494.3	10.5	71.0	23.4	22.7	21.1	8.7	8.4

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
	FY21	FY22	FY23E	FY24E
<b>Total operating Income</b>	<b>1,866.7</b>	<b>2,009.1</b>	<b>2,258.3</b>	<b>2,494.3</b>
Growth (%)	5.8	7.6	12.4	10.5
Raw Material Expenses	844.9	980.4	1,093.7	1,182.1
Employee Expenses	163.8	163.6	183.2	204.9
Marketing Expenses	229.6	234.8	300.6	319.1
Administrative Expenses	0.0	0.0	105.7	108.9
Other expenses	303.6	285.7	166.8	186.8
Total Operating Expenditure	1,541.8	1,664.4	1,850.0	2,001.8
<b>EBITDA</b>	<b>324.8</b>	<b>344.8</b>	<b>408.3</b>	<b>492.4</b>
Growth (%)	2.2	6.1	18.4	20.6
Depreciation	25.2	23.6	32.1	34.9
Interest	83.8	25.5	22.5	19.1
Other Income	8.9	10.4	12.4	13.0
PBT	224.8	306.0	366.0	451.5
Total Tax	-6.5	-2.9	0.0	0.0
Exceptional Item	132.1	0.0	0.0	0.0
<b>PAT</b>	<b>99.2</b>	<b>308.9</b>	<b>366.0</b>	<b>451.5</b>
<b>Adjusted PAT</b>	<b>250.9</b>	<b>308.9</b>	<b>366.0</b>	<b>451.5</b>
Growth (%)	81.0	23.1	18.5	23.4
Adjusted EPS (₹)	39.4	48.5	57.5	71.0

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit After Tax	112.4	301.9	366.0	451.5
Add: Depreciation	25.2	23.6	32.1	34.9
(Inc)/dec in Current Assets	191.8	-14.0	-150.5	-153.0
Inc/(dec) in CL and Provisions	-42.8	-74.7	48.2	51.8
<b>CF from operating activities</b>	<b>286.5</b>	<b>236.9</b>	<b>295.9</b>	<b>385.2</b>
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in LT loans & advances	-1.9	0.0	-10.0	-10.0
(Inc)/dec in Fixed Assets	-17.5	-74.7	-41.4	-50.0
Others	8.9	15.8	-5.0	-5.0
<b>CF from investing activities</b>	<b>-10.4</b>	<b>-58.9</b>	<b>-56.4</b>	<b>-65.0</b>
Issue/(Buy back) of Equity	986.6	0.0	0.0	0.0
Inc/(dec) in loan funds	-1,187.5	-168.3	-100.0	-42.5
Dividend paid & dividend tax	-0.2	-31.9	-190.9	-254.5
Interest Paid	-101.2	-32.5	-22.5	-19.1
Others	0.0	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>-302.3</b>	<b>-232.6</b>	<b>-313.4</b>	<b>-316.1</b>
Net Cash flow	-26.2	-54.7	-74.0	4.1
Opening Cash	192.8	252.7	169.8	95.8
Cash with Bank	0.0	0.0	0.0	0.0
<b>Closing Cash</b>	<b>166.7</b>	<b>198.0</b>	<b>95.8</b>	<b>99.9</b>

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	63.6	63.6	63.6	63.6
Reserve and Surplus	4,504.2	4,780.4	4,955.5	5,152.5
Total Shareholders funds	4,567.8	4,844.0	5,019.1	5,216.1
LT Borrowings & Provisions	312.5	62.5	12.5	0.0
Deferred Tax Liability	237.3	319.0	269.0	239.0
Others Non-current Liabilities	15.2	18.8	18.8	18.8
<b>Total Liabilities</b>	<b>5,132.8</b>	<b>5,244.4</b>	<b>5,319.5</b>	<b>5,473.9</b>
<b>Assets</b>				
Gross Block	412.7	452.7	492.7	532.7
Less: Acc Depreciation	193.2	216.8	249.0	283.9
Net Block	199.6	244.5	243.7	248.9
Capital WIP	3.7	11.9	21.9	31.9
Goodwill	3,920.0	3,920.0	3,920.0	3,920.0
Non-current Investments	1.4	5.5	5.5	5.5
LT loans & advances	11.7	0.0	10.0	20.0
Deferred Tax Assets	126.5	129.8	129.8	129.8
Other Non-Current Assets	556.6	566.7	571.7	576.7
<b>Current Assets</b>				
Inventory	364.7	361.6	408.3	451.0
Debtors	94.3	142.3	154.7	170.8
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	135.2	112.9	126.9	140.2
Cash	252.7	169.8	95.8	99.9
Investments	0.0	27.0	127.0	227.0
<b>Current Liabilities</b>				
Creditors	438.6	364.3	402.2	444.2
Provisions	0.0	21.9	24.6	27.1
Short term debt & other CL	95.1	61.7	69.3	76.6
<b>Application of Funds</b>	<b>5,132.8</b>	<b>5,244.4</b>	<b>5,319.5</b>	<b>5,473.9</b>

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	39.4	48.5	57.5	71.0
Cash EPS	22.6	52.3	62.6	76.4
BV	717.9	761.3	788.8	819.8
DPS	10.0	25.0	30.0	40.0
Cash Per Share	39.7	26.7	15.1	15.7
<b>Operating Ratios (%)</b>				
EBITDA Margin	18.4	17.2	18.1	19.7
PBT / Total Operating income	13.1	15.2	16.2	18.1
PAT Margin	6.4	15.4	16.2	18.1
Inventory days	71.3	65.7	66.0	66.0
Debtor days	18.4	25.9	25.0	25.0
Creditor days	85.8	66.2	65.0	65.0
<b>Return Ratios (%)</b>				
RoE	5.5	6.4	7.3	8.7
RoCE	6.2	6.1	7.1	8.4
<b>Valuation Ratios (x)</b>				
P/E	86.4	33.2	28.0	22.7
EV / EBITDA	30.6	30.4	25.6	21.1
EV / Net Sales	5.7	5.2	4.6	4.2
Market Cap / Sales	5.5	5.1	4.5	4.1
Price to Book Value	2.2	2.1	2.0	2.0
<b>Solvency Ratios</b>				
Debt/EBITDA	1.6	1.1	0.7	0.5
Debt / Equity	0.1	0.1	0.1	0.0
Current Ratio	1.1	1.4	1.4	1.4
Quick Ratio	0.4	0.6	0.6	0.6

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (FMCG)

	CMP	TP	M Cap	EPS (₹)			P/E (x)			Price/Sales (x)			RoCE (%)			RoE (%)			
	(₹)	(₹) Rating		(₹ Cr)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Colgate (COLPAL)	1,586	1,690	Hold	42,548	39.6	40.6	44.4	40.0	39.1	35.7	8.4	7.8	7.2	77.8	84.1	91.2	62.2	64.1	69.6
Dabur India (DABIND)	584	680	Buy	96,113	9.9	11.7	13.1	59.3	49.7	44.5	8.8	8.0	7.2	24.9	25.3	26.1	20.8	22.7	22.9
Hindustan Unilever (HINLEV)	2,637	2,700	Hold	6,10,844	37.5	40.9	44.8	70.3	64.5	58.8	12.1	10.8	10.1	20.2	22.5	24.6	18.1	19.7	21.5
ITC Limited (ITC)	303	310	Buy	3,60,223	12.4	14.0	15.5	24.4	21.6	19.6	6.1	5.6	5.1	31.4	34.9	36.6	24.5	26.7	28.1
Jyothy Lab (JYOLAB)	171	145	Hold	6,077	4.3	5.6	6.4	40.3	30.6	26.9	2.8	2.5	2.3	18.7	24.2	27.7	16.6	21.2	23.8
Marico (MARLIM)	518	530	Hold	64,929	9.7	10.6	11.7	53.2	49.0	44.2	6.8	6.3	5.8	41.2	46.8	52.9	37.5	41.4	47.4
Nestle (NESIND)	19,352	21,600	Hold	1,84,201	222.4	238.3	294.0	87.0	81.2	65.8	12.6	11.2	10.2	58.7	57.0	64.7	111.3	111.1	118.3
Tata Consumer Products (TAT)	812	910	Buy	67,201	11.0	15.0	17.5	73.7	54.2	46.4	5.4	4.9	4.5	8.4	10.3	11.3	7.0	8.8	9.8
VST Industries (VSTIND)	3,197	3,425	Hold	4,986	229.3	252.9	290.5	13.9	12.6	11.0	4.2	3.9	3.6	39.2	44.6	50.6	30.0	33.4	37.8
Varun Beverage (VARBEV)	883	900	Buy	55,179	17.2	17.3	20.2	51.3	51.2	43.7	6.3	5.1	4.5	17.1	25.6	29.7	18.3	22.8	23.0
Zydus Wellness (ZYDWEL)	1,612	2,100	Buy	10,254	48.5	57.5	71.0	33.2	28.0	22.7	5.1	4.5	4.1	6.1	7.1	8.4	6.4	7.3	8.7

Source: Bloomberg, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com**



## ANALYST CERTIFICATION

I/We, Sanjay Manyal MBA (FINANCE) Research Analyst, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customer simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.