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Zydus Wellness sees more of price-led growth as costs surge

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Zydus Wellness chief executive officer Tarun Arora.

SUMMARY

Rising input costs and acquisition-led expansion are reshaping the growth strategy at Zydus Wellness. Rising inflation may push it to rely more on price-led growth, signalling broader pressure on consumer-facing firms as the impact of the West Asia war spreads across the economy.

Mumbai: As the domino effect of the West Asia war builds inflationary pressures across the economy, Zydus Wellness Ltd sees a larger share of its growth coming from price increases rather than higher sales volumes in the coming quarters. The consumer wellness firm said rising packaging, freight and input costs are beginning to influence pricing decisions, reflecting the broader pressure on consumer-facing businesses.

"While growth is driven by volumes, there will also be a value component, as there is some level of inflation," chief executive officer Tarun Arora told *Mint* in an interaction on Tuesday. "Given the current situation, the value growth we had assumed earlier is likely to increase, as costs have risen sharply."

Simply put, volume growth is driving revenue by selling more units, while value growth focuses on increasing the price of products.

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Arora said that the rising costs of packaging, freight, etc. are affecting pricing decisions. "Over the past two-three months, we have witnessed higher packaging costs, along with increases in some ingredient costs," he said. The chief executive, however, did not give any specifics on the nature of any price hikes undertaken or planned.

Driven by the war-related supply disruptions, India's wholesale price index (WPI)-based inflation rate surged to a 42-month high of 8.3% in April from 3.9% in the previous month. And this pace is likely to only increase, as the country has this month seen retail prices of petrol, diesel and liquefied petroleum gas (**LPG**) being hiked.

Zydus Wellness's views are in line with the broader industry. Large listed fast-moving consumer goods (FMCG) firms, including **Hindustan Unilever Ltd**, Britannia Industries and Dabur India, have indicated they are hiking product prices to tide over raw material inflation. Prices of key raw materials and packaging inputs, including edible oils, milk, plastic, have been on the rise since the war broke out late February.

Financial performance

Zydus Wellness, in its results announced in an exchange filing on Monday, reported a 63% rise in March quarter revenue to ₹1,484.7 crore from ₹913 crore a year earlier. The rise was largely aided by acquisitions. Its net profit for the reporting quarter was, however, down 5.8% at ₹162 crore from ₹172 crore a year ago.

The March quarter marked the company's return to quarterly profit after having posted a ₹40-crore loss in the December quarter. For FY26, however, the net profit was down 43% to ₹197 crore from ₹347 crore a year earlier as the September and December quarters saw net losses.

Finance costs for the quarter jumped nearly nine-fold to ₹38 crore following two back-to-back acquisitions. In August 2025, Zydus acquired UK-based Comfort Click for ₹2,846 crore, marking its entry into Europe's vitamins and minerals market. A year earlier, it had acquired RiteBite Max Protein for ₹390 crore.

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Arora said that debt reduction will be a top priority in FY27. "We also have a euro loan, which should make it relatively easy for us to manage," he said. According to the filing, the company had a long-term borrowing of ₹3,034.9 crore as of the year ended March 2026.

Product mix

The company, which has increasingly relied on acquired brands to fuel growth, is now betting on a mix of acquisitions and own product launches to widen its portfolio. "We have a strong pipeline built for the next 12-24 months. Over the next three months, you will see some interesting launches coming through," Arora said.

Zydus is also trying to reduce its dependence on seasonal brands such as Glucon-D (a glucose-based energy drink powder) and Nycil (a cooling prickly heat powder). The portfolio, acquired from The Kraft Heinz Company in 2019 for about ₹4,600 crore, once contributed 35-40% of the business. "Today, that contribution is significantly lower," Arora said without giving details on the current size.

Revenue from the summer portfolio fell nearly 19% in FY26, as erratic weather hurt demand. Arora, however, maintained that the segment remains strategically important. "Our dependence on the summer portfolio has reduced meaningfully over the years. However, I am not going to shy away from the fact that it remains an important and valuable part of our portfolio. And therefore, we are not going to move away from it," he said.

The category has seen another slow start this year, as some parts of India witnessed rains in the peak summer season. "Typically, summer sales happen between mid-March and May, after which consumption slows as consumers begin to feel the season is ending," said Arora, adding that demand is often shaped as much by consumer sentiment as by temperature. "Based on current weather forecasts, we are hopeful of delivering better performance from our summer brands this year, though it is difficult to predict the extent of growth."

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The India Meteorological Department has warned of deficient rains and a likely El Niño in 2026, making seasonal product manufacturers, such as air-conditioner and fan manufacturers, confident of a better financial year after a weak FY26.

Zydus Wellness reported a 42.2% rise in earnings before interest, taxes, depreciation, and amortization (Ebitda) to ₹270 crore for the March quarter, though the margin contracted to 18.2% from 20.8% a year ago.

"On an ongoing business, excluding Comfort Click, our margins were around 14%," Arora said, pointing to the boost from its UK buyout. "We are now aiming to take that to 16-17%, and eventually to 17-18%," he added.

With its acquisitions settling down and growth plans taking shape, analysts are betting on a sharp recovery for **Zydus Wellness**. "With stability in the core business (took the initial period to stabilize a sizable acquisition) and exciting new growth engines, we expect Zydus to deliver superior earnings growth vs. the past," analysts at Motilal Oswal said in a note on 19 May.

On Tuesday, shares of the company closed 2.7% higher at ₹509.1 on the National Stock Exchange. Since the start of the calendar in January, its shares have risen 10.2%, while benchmark Nifty50 has fallen 9.6%.