

# Zota Health Care Ltd.

Pharmaceuticals | Initiating coverage

**Initiate with BUY**

**CMP: Rs1,589 | Target Price (TP): Rs1,936 | Upside: 22%**

**December 11, 2025**

## Reinventing Retail Pharmacy

### Key Points

- **India's affordability gap remains significant:** Despite being a major global supplier of generics, India faces constrained domestic healthcare access due to low public spending (~3.3% of GDP) and a high out-of-pocket burden (~40%). With 71% of respondents reporting rising healthcare costs, the demand for reliable, low-cost generic medicines continues to strengthen.
- **Davaindia is the core growth engine:** Davaindia contributes ~64% of Zota's FY25 revenue and remains the company's most important long-term growth driver. The chain has scaled rapidly to 2,055 stores as of Sept-2025, comprising 1,207 COCO stores (Company-Owned Company-Operated) and 848 FOFO stores (Franchisee-Owned Franchisee-Operated). The network added ~600 stores in FY25, and Zota plans to roll out ~800 stores annually over FY26–28E. By FY28, the store base is projected to expand to ~3,252 COCO stores and ~1,178 FOFO stores, reflecting the scalability of the hybrid model. Davaindia's portfolio of 2,000+ private-label SKUs (Stock-Keeping Units), sourced from 45+ WHO-GMP-certified manufacturing partners, supports high gross margins and provides a strong foundation for continued network expansion.
- **Strong growth trajectory; initiate with BUY:** Consolidated revenue is expected to grow at ~77% CAGR over FY25–28E, driven by rapid Davaindia store expansion, while EBITDA turns positive as store maturity improves and operating leverage builds. ROE/ROCE are projected to turn positive by FY28E to 5.3%/6.5%, supported by ~50% of stores crossing breakeven. We value the company over Dec-30E, apply a SOTP framework and discount back the valuations to present value, and arrive at a target price of Rs.1,936, implying a 23% CAGR return. We initiate coverage with a BUY rating.

**Industry tailwinds: shift toward affordable generics:** India is one of the world's largest suppliers of affordable medicines—exporting nearly 20% of global generic drugs—yet domestic healthcare access remains constrained by low public spending (~3.3% of GDP) and extremely high OOP (out-of-pocket) costs (~40%), among the highest globally. Medicines make up the largest share of household medical expenses, and the India Fit Report 2025 highlights that 71% of respondents feel healthcare costs have skyrocketed, underscoring the financial strain even on insured families. These structural challenges reinforce the urgent need for accessible, low-cost, high-quality generics to improve treatment adherence and reduce the economic burden on patients.

**Davaindia—a scalable, high gross margin, generic retail platform:** Davaindia is India's largest private sector generic pharmacy chain with 2,055 stores across the country. Its private-label model, offering medicines 30–90% cheaper than branded equivalents and delivering ~65% gross margins, provides strong differentiation and high consumer stickiness especially in chronic therapies.

Est Change	NA
TP Change	NA
Rating Change	NA

### Company Data and Valuation Summary

Reuters	ZOTA.BO
Bloomberg	ZOTA IN Equity
Market Cap (Rsbn / US\$mn)	49.1 / 543.7
52 Wk H / L (Rs)	1,740 / 632
ADTV-3M (mn) (Rs / US\$)	222.7 / 2.5
Stock performance (%) 1M/6M/1yr	3.8/64.0/143.3
Nifty 50 performance (%) 1M/6M/1yr	1.0 / 3.0 / 4.5

Shareholding	4QFY25	1QFY26	2QFY26
Promoters	59.7	57.4	55.8
DIIIs	3.1	4.3	5.0
FIIIs	0.9	3.8	3.5
Others	36.3	34.5	35.8
Pro pledge	0.3	0.3	0.3

### Financial and Valuation Summary

Particulars(Rsmn)	FY25	FY26E	FY27E	FY28E
Net Sales	2,930	5,712	11,027	16,383
Growth YoY %	62.3	95.0	93.1	48.6
Gross margin %	53.1	57.5	59.6	60.3
EBITDA	(57)	(317)	566	1,619
EBITDA margin %	(2.0)	(5.6)	5.1	9.9
Adj PAT	(567)	(1,126)	(515)	340
Growth YoY %	295.4	98.5	(54.3)	NA
Adj EPS (Rs)	(19.8)	(35.7)	(15.0)	9.9
RoCE	(16.6)	(22.0)	(3.7)	6.5
RoE	(35.8)	(45.3)	(11.5)	5.3
RoIC	(14.2)	(21.0)	(3.2)	6.1
P/E	(80.2)	(44.5)	(106.1)	160.8
EV/EBITDA	(808.0)	(165.0)	98.5	35.5
P/BV	20.0	18.5	8.8	8.3

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

**Strong store economics and rapid maturity ramp-up:** Stores typically breakeven within 15–18 months, after which profitability improves sharply. The number of profitable stores is expected to increase from 82 in FY25 to 1,652 by FY28E (around 51% of total COCO stores), while mature stores rise from 17 in FY25 to 852 by FY28E (~25% of total COCO stores). A mature store generally delivers EBITDA margins of 25–30%, and the growing share of such stores in the network is a key driver of operating leverage and margin expansion.

**Diversified portfolio with Davaindia as the core driver:** Zota also operates in 1) Domestic formulations, 2) Exports-across 30+ countries, and 3) Everyday Herbal business. While these segments add stability and margin support, Davaindia is expected to contribute ~90% of revenues by FY28, positioning it as the company's long-term growth engine.

**Valuation:** Revenue is projected to clock ~77% CAGR over FY25–28E, led by Davaindia (~100% CAGR on account of massive store expansion), with EBITDA turning positive by FY27 as operating leverage improves and store-level profitability strengthens. A planned Rs4bn QIP likely in 1HFY27 to support the aggressive rollout (~800 stores/year from FY26-28E). Return ratios are expected to remain negative through FY27E given the long breakeven cycle and would potentially cross into the positive territory by FY28E as ~50% of the network crosses breakeven, driving ROE/ROCE to 5.3%/6.5%.

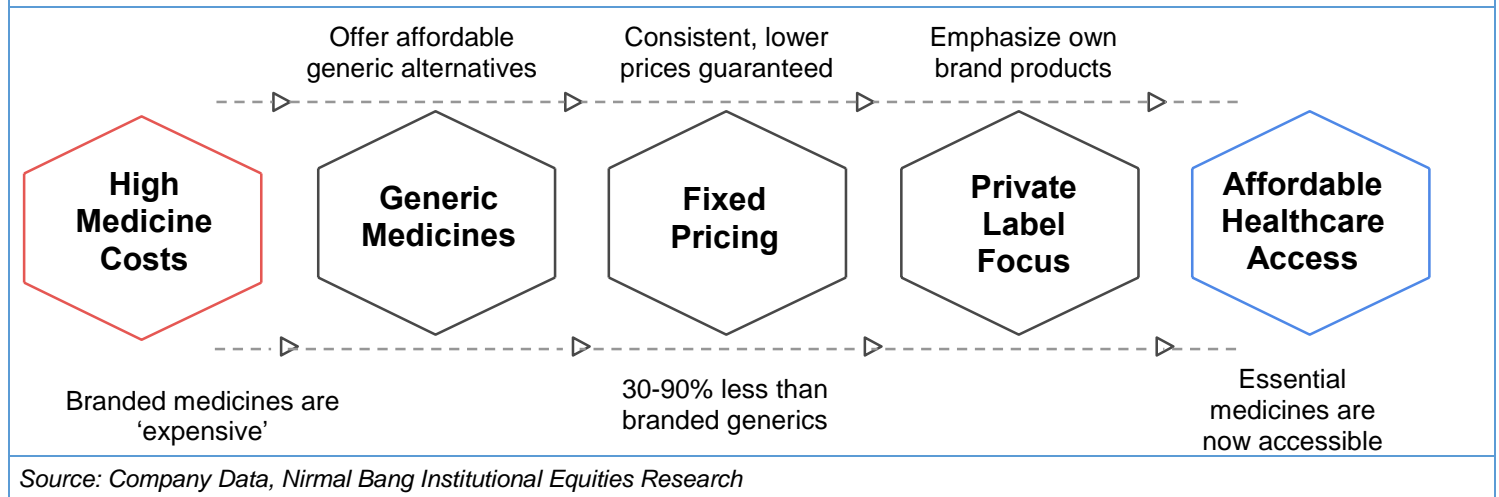
We apply a SOTP framework—valuing Davaindia at 4x Dec-30E P/S, exports at 15x Dec-30E EV/EBITDA, domestic formulations at 12x Dec-30E EV/EBITDA, and Everyday Herbal at 4x Dec-30E P/S—which results in a consolidated present-value estimate of Rs1,936 per share, implying a **3-year CAGR return of 23%** through Dec-30.

Business segment	Valuation matrix	Dec-30E Multiple (x)	Present value/Fair value
Davaindia	P/S	4	1,807
Export business	EV/EBITDA	15	81
Domestic business	EV/EBITDA	12	24
Everyday Herbal	P/S	4	24
<b>Target price (Rs)</b>			<b>1,936</b>

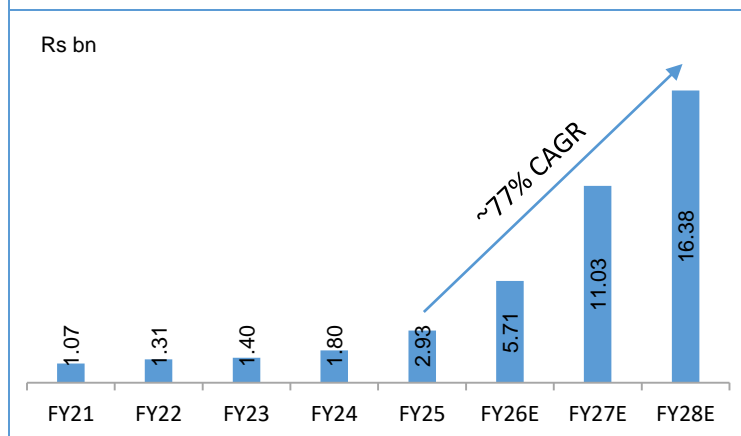
**Key risks** include execution challenges in adding ~1,400 stores over FY25–26, potential breakeven delays (15–18 months per outlet), intensifying competition from PMBJP (Pradhan Mantri Bharatiya Janaushadhi Prayojana) and private peers (Medkart, Dawa Dost, Netmeds), and regulatory risks on pricing/margins. Supply chain dependence on WHO-GMP partners and imported APIs also remains a sensitivity.

## Story in charts

**Exhibit 1: Affordable healthcare via generic pharmacy**

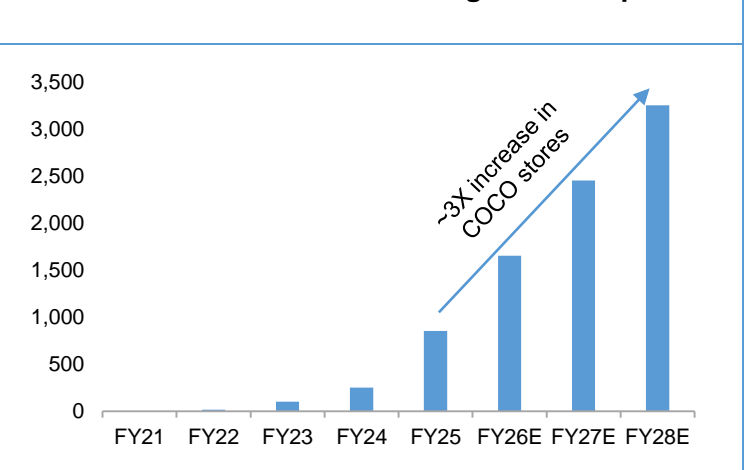


**Exhibit 2: Zota Healthcare sales surge on Davaindia store expansion**

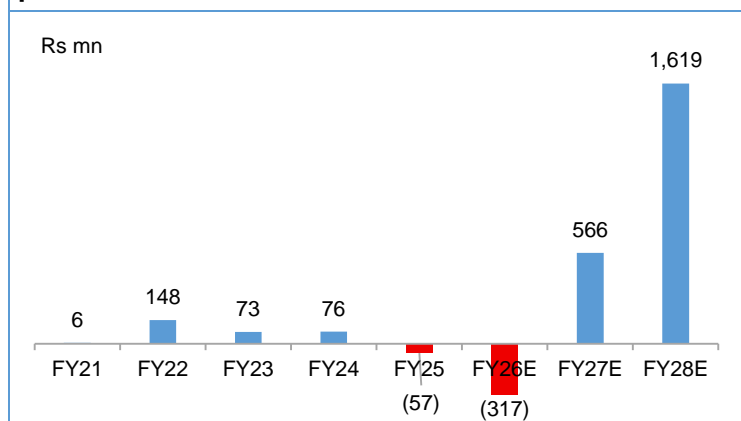


Source: Company Data, Nirmal Bang Institutional Equities Research

**Exhibit 3: COCO stores witness significant expansion**

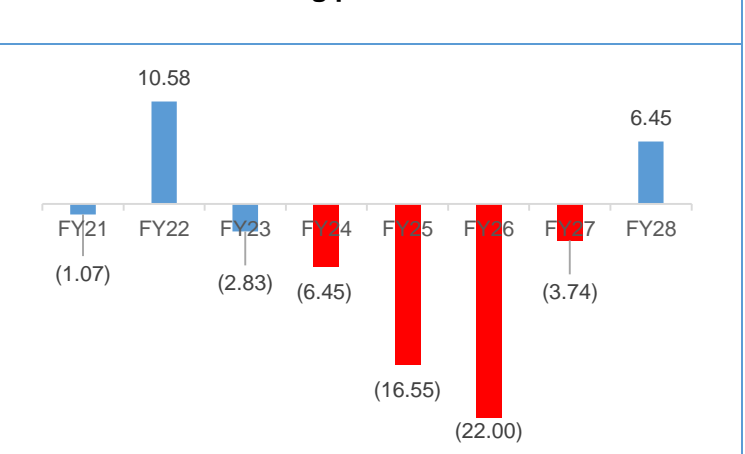


**Exhibit 4: Store maturity driving turnaround to positive EBITDA**



Source: Company Data, Nirmal Bang Institutional Equities Research

**Exhibit 5: RoCE turning positive over FY28**



<b>Table of contents</b>	
Industry Overview	05
Affordability Pressures Driving Demand Toward Generics	08
Government Interventions Strengthening the Affordability Ecosystem	09
Market Shift Toward Affordable Generics	11
Zota Healthcare	12
Davaindia - Building Scale in Retail Generics	14
Davaindia – Right to Win	15
Davaindia – Right to Win Patients	16
COCO Stores – Driving Growth and Efficiency	17
Other business segments	19
Investment Hypothesis	20
Financial Analysis	22
Valuation	24
Key Risks	25
Management details	27
Share holding pattern	27

## INDUSTRY OVERVIEW

### The Indian Pharmaceutical Market – Large, Diversified, and Structurally Expanding

India is the world's third largest pharmaceutical market by volume with an estimated size of US\$ 43-46bn in FY24 across formulations and bulk drugs. The market is evenly split between domestic formulations and exports, with India supplying medicines to over 200 countries, including highly regulated markets such as the US, EU, UK, and Canada.

A mature manufacturing ecosystem—comprising advanced facilities, strong R&D capabilities, skilled manpower, and integrated allied industries—continues to reinforce India's competitive edge in global generics production.

### Domestic Formulation Market – Stable, Broad-based Growth Driven by Chronic Therapies

The Indian domestic formulations market has maintained steady growth momentum, expanding at around 9% CAGR during FY18–23, supported by rising healthcare awareness, increasing access, and a growing burden of chronic diseases. As of FY23, the domestic formulations market contributed 2–3% of the global pharmaceutical industry and is expected to clock ~9–10% CAGR to reach Rs2.8–3.0tn by FY28.

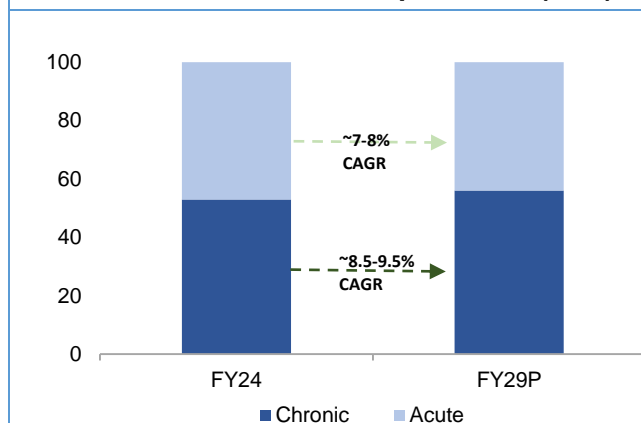
- **Therapy Mix:** As of FY24, chronic therapies contributed 53% of the domestic market and are projected to grow faster (8.5–9.5% CAGR through FY29) than acute therapies (7–8% CAGR). Key chronic segments include anti-diabetic (~9% share) and cardiovascular (~13% share). Acute therapies are led by anti-infectives, gastro-intestinal, and pain/analgesics.
- **Drivers:** Rising prevalence of lifestyle diseases, growing population, and increased health awareness are expected to sustain strong demand.

**Exhibit 6: Key therapy areas in the domestic formulation market**

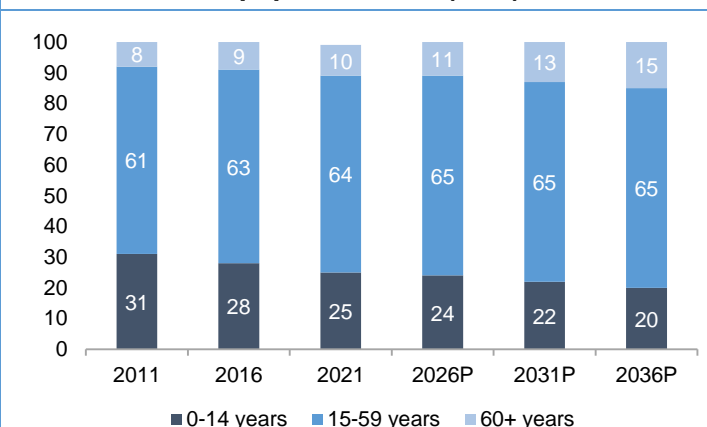
Therapy Name	Share in Total Market FY19 (%)	Share in Total Market FY24 (%)	Share in Total Market FY29P	CAGR (FY19–24)	CAGR (FY24–29P)
Cardiovascular	12.4	13.2	14.1	9.7	10.0–11.0%
Anti-Infectives	12.6	12.3	11.7	8.0	7.5–8.5%
Gastrointestinal	11.2	11.7	11.6	9.3	8.5–9.5%
Anti-Diabetic	9.6	9.1	9.7	7.2	10.0–11.0%
Vitamins/Minerals/Nutrients	8.6	8.8	8.9	8.8	9.0–10.0%
Respiratory	7.4	8.1	8.3	10.3	9.0–10.0%
Pain/Analgesics	6.8	7.1	6.9	9.5	7.5–8.5%
Derma	7.6	6.6	6.4	5.4	7.5–8.5%
Neuro/CNS	6.0	6.1	6.1	8.8	8.0–9.0%
Gynecological	5.1	5.0	5.0	7.8	8.5–9.5%

Source: DRHP Emcure Pharmaceuticals Ltd., Nirmal Bang Institutional Equities Research

**Exhibit 7: Chronic vs acute split in IPM (in %)**



**Exhibit 8: Indian population mix (in %)**



Source: DRHP Emcure Pharmaceuticals Ltd., Nirmal Bang Institutional Equities Research

## Key Structural Drivers of India's Pharmaceutical Sector

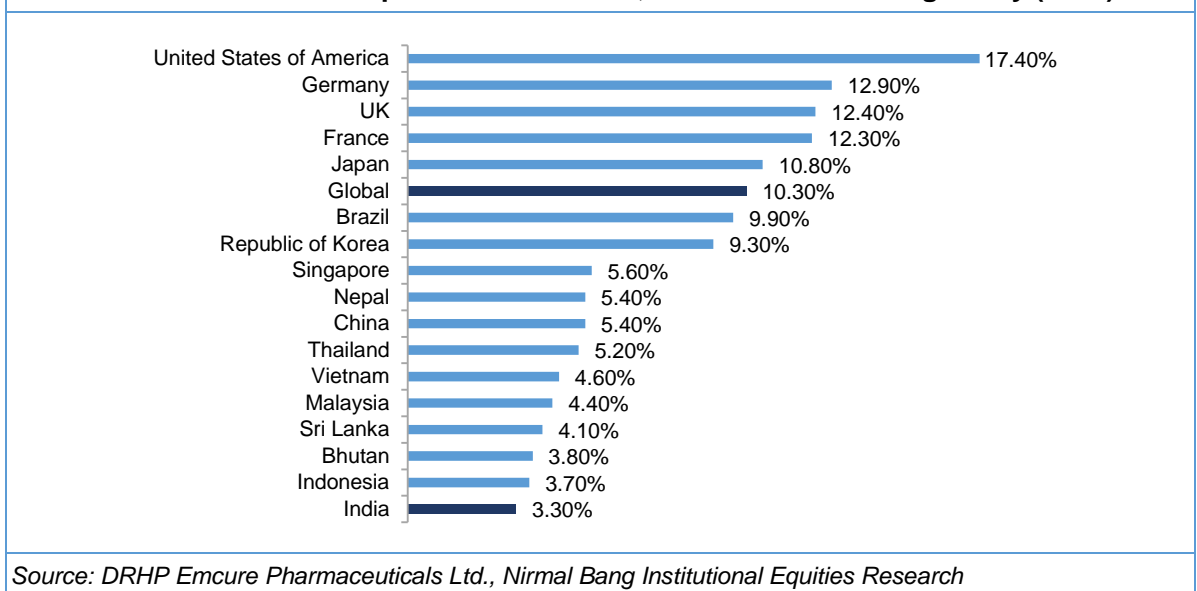
Multiple long-term factors underpin the sustained expansion of the Indian pharmaceutical market:

- **Demographic Shift:** India's elderly population (60+ years) is expected to reach 11% by 2026 and 13% by 2031, structurally increasing the demand for chronic medications.
- **Rising Chronic Disease Burden:** Non-communicable diseases (NCDs) accounted for ~58% of India's DALYs (Disability adjusted life years) in 2019, up from 44.9% in 2009, reflecting a significant epidemiological transition. Conditions such as cardiac illnesses, diabetes, cancer, mental disorders, and chronic respiratory diseases continue to rise.
- **Increasing Income Levels and Healthcare Awareness:** India's per capita net national income increased by 15% CAGR from Rs132,341 in FY22 to Rs205,324 in FY25, boosting affordability and demand for quality healthcare.
- **Expanding Insurance Penetration:** Health insurance penetration (as a % of GDP) has expanded from 0.26% in FY20 to 0.36% in FY25 driven by government programs and private insurers.

## India's Healthcare Spending – Low Base Provides Multi-Decade Headroom

While India is a global powerhouse for generic drug manufacturing, its healthcare expenditure remains one of the lowest globally—just ~3.3% of GDP, compared with the global average of ~10%, and far below developed peers like the US (17%) and Germany (13%). This wide gap underscores substantial long-term potential as public and private spending gradually rises.

**Exhibit 9: India healthcare spends as % of GDP, is one of the lowest globally (2023)**



## Rising Disease Burden but Stagnant IPM Volumes – Affordability Driving a Structural Shift Toward Generics

India's epidemiological profile has shifted meaningfully over the past decade, with the share of non-communicable diseases rising from **44.9% in 2009 to 57.9% in 2019**, driven by a sustained increase in diabetes, cardiovascular disorders, cancer, chronic respiratory ailments, and mental-health conditions. Recent data from ORGI (2021–23) and ICMR–INDIAB (2023) indicates that this trend has continued, sharply expanding the country's chronic patient pool and structurally lifting the need for long-term therapy.

**Exhibit 10: DALYs contribution increased ~29% (2009 vs 2019)**

Particulars	Disability adjusted life years (DALYs)	
	2009	2019
<b>Communicable diseases</b>		
Tuberculosis	3.8	3.4
Diarrheal diseases	6.7	4.3
Respiratory infections	10.2	7.7
<b>Non-communicable diseases</b>		
Cancer	4.3	5.8
Diabetes	1.6	2.7
Mental disorders	3.7	4.7
Cardiovascular	10.5	13.9
Respiratory	4.8	6.3
Other non-communicable diseases	20	24.5
Total non-communicable diseases	44.9	57.9

Source: DRHP Emcure Pharmaceuticals Ltd., Nirmal Bang Institutional Equities Research

However, despite rising chronic disease incidence, **IPM unit-volume growth has remained subdued at 0–2% over the past three years**, with overall market expansion supported largely by **price increases and new product introductions** rather than underlying consumption growth. This divergence between disease burden and unit sales suggests that incremental patient demand is **not being fully captured within the branded formulations market**.

**Exhibit 11: IPM growth led by price hikes + new launches**

Year	IPM Growth (%)	Volume Growth (%)	Price Growth (%)	New Launch Growth (%)
FY15	14	11	-4	6
FY16	15	6	4	5
FY17	9	3	2	5
FY18	7	11	-9	5
FY19	11	3	3	4
FY20	11	2	5	3
FY21	5	-4	4	4
FY22	18	9	5	4
FY23	8	0	6	2
FY24	7	0	4	3
FY25	8	1	4	2

Source: Company Data, Nirmal Bang Institutional Equities Research

The most plausible explanation is **affordability pressure**, which has led to rising down-trading, lower adherence, and a marked shift toward **lower-priced trade generics and unbranded generics**. The stagnation in branded volumes, despite a growing chronic population, indicates that **generics are increasingly absorbing incremental therapy demand**, marking a structural realignment in India's pharmaceutical consumption patterns.

## Affordability Pressures Driving Demand Toward Generics

Affordability remains a major constraint in India's healthcare system. Medicines account for **50–70% of household healthcare spending**, while out-of-pocket expenditure still forms **~40%** of total health expenditure — among the highest globally.

The **GOQii India Fit Report 2025** reflects this rising pressure:

- **71%** of respondents felt healthcare costs had 'skyrocketed',
- More than **35%** reduced medical visits despite having insurance,
- Nearly **20%** skipped essential treatment due to cost concerns. Academic studies further show that poorer households often spend **over half of their monthly budgets** on medicines, especially chronic therapies.

These pressures have led to **lower adherence, rationing of essential drugs, and delays in treatment**, particularly for long-term conditions. Consequently, patients are increasingly **down-trading to lower-cost alternatives**, accelerating the shift from branded formulations toward **trade generics and unbranded generics**, which offer substantial price savings.

## Expansion of Low-Cost Generic Alternatives – Changing Market Dynamics

The affordability gap has created a **fertile environment for trade generics and unbranded generic medicines**, which typically offer **30–90% price savings** versus branded formulations. This has materially altered market behavior on both the **demand side (patients)** and the **channel side (pharmacies)**.

**Key trends accelerating generic adoption include:**

- **Higher Retailer Margins:** Pharmacies earn better margins on trade generics compared to branded drugs, incentivizing active substitution at the counter wherever prescriptions allow flexibility.
- **Cost-Conscious Consumer Preferences:** Chronic therapy patients, who incur recurring monthly expenses, are increasingly opting for **lower-cost alternatives** once they become aware of equivalent generic options.
- **Rapid Expansion of Generic-Focused Pharmacy Chains:** As of FY25, organized formats such as **Jan Aushadhi Kendras** (16,912+ stores), **Davaindia** (1,582 stores) and **Zeno Health** (260+ stores) have scaled up rapidly, offering:
  - Consistent product availability,
  - Quality-assured generic medicines, and
  - Significantly lower pricing vs branded peers.
- **Government Push for Price Rationalization:** Measures such as **NPPA** (National Pharmaceutical Pricing Authority)-led **price controls** and the continued expansion of **PMBJP** (Pradhan Mantri Bharatiya Janaushadhi Pariyojana) are structurally pushing the system towards greater affordability and normalizing the use of generics among patients and prescribers.

Collectively, these factors are creating a new demand ecosystem in which generics increasingly capture incremental volume growth, while branded volumes remain largely steady but stagnant. This ongoing realignment in purchasing behavior is especially relevant in chronic therapies and forms a key backdrop for the growth of models such as Davaindia's generic pharmacy network.

## Government Interventions Strengthening the Affordability Ecosystem

Government policy continues to play a pivotal role in shaping India's pharmaceutical market, particularly in strengthening the affordability framework and normalizing the adoption of low-cost generics. Two initiatives—**NPPA** and **PMBJP**—form the backbone of this intervention-led shift.

### NPPA – Centerpiece of India's Drug Price Control Architecture

**NPPA** remains the core regulator of drug pricing in India. Established under the Department of Pharmaceuticals, NPPA enforces the **Drugs Prices Control Order, 2013 (DPCO)** under the **Essential Commodities Act, 1955**, ensuring affordability of essential medicines.

Key elements include:

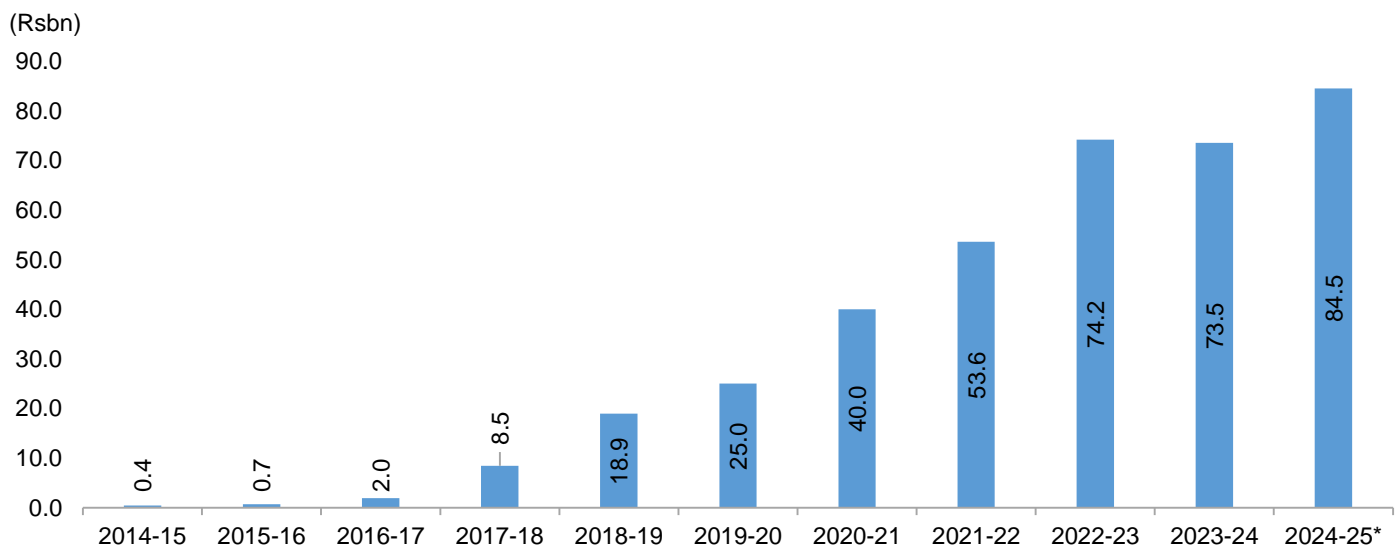
- **Ceiling prices for 600+ essential drugs**, covering major chronic segments such as diabetes, cardiovascular, oncology, anti-infectives, and antibiotics.
- Progressive expansion of the National List of Essential Medicines (**NLEM**) to bring more formulations under price regulation.
- Extension of price control to **medical devices**, including:
  - Cardiac stents, where prices were reduced ~70%.
  - Knee implants, where prices were lowered 50–70%.
- Rationalization of trade margins on select high-cost therapies such as oncology drugs.

These interventions have **intensified pricing pressure** for branded pharmaceutical manufacturers but have significantly **improved affordability and accessibility**, especially in chronic therapy areas where long-term medication costs are substantial.

### PMBJP – India's Largest and Fastest Expanding Generic Medicine Network

**PMBJP** has emerged as a cornerstone of India's affordable healthcare ecosystem. The program aims to provide **quality-assured generic medicines at economical prices** through a rapidly expanding retail network.

**Exhibit 12: Rs85bn in savings under PMBJP**



Note: \* Estimated

Source: Janaushadhi.gov, Nirmal Bang Institutional Equities Research

## Key highlights:

- As of FY25, there are **16912+ Jan Aushadhi Kendras** are currently operational across India.
- The scheme offers a broad portfolio of **2,000+ medicines** and **300+ surgical/medical consumables**, covering major therapeutic categories.
- PMBJP's growth has been propelled by attractive incentives for entrepreneurs, including:
  - A **20% monthly purchase incentive** (capped at Rs20,000 up to Rs.0.5mn lifetime incentive).
  - A **Rs0.2mn one-time grant** for stores in priority regions or for eligible groups such as women and ex-servicemen.
- Annual sales have increased from **Rs3.2bn in FY17** to **Rs147bn in FY24**, demonstrating substantial consumer acceptance.
- The scheme has generated estimated **cumulative patient savings of over Rs85bn**.

## Exhibit 13: Journey of Jan Aushadhi

FY	Number of Jan Aushadhi Kendras functional		Sales at MRP (Rsbn)
	Net Yearly Addition	Cumulative Kendras	
2016-17	811	1,080	3.2
2017-18	2,226	3,306	14.1
2018-19	1,834	5,140	31.5
2019-20	1,166	6,306	43.4
2020-21	1,251	7,557	66.6
2021-22	1,053	8,610	89.3
2022-23	694	9,304	1,23.5
2023-24	1,957	11,261	1,47.0
2024-25* (Till 30-Nov-24)	3,059	14,320	1,25.5

Source: Janaushadhi.gov, Nirmal Bang Institutional Equities Research

## Market Shift Toward Affordable Generics

- India's pharmaceutical market is undergoing a **structural shift** driven by rising chronic disease burden, affordability challenges, and changing consumer behavior. Despite India being a global generics hub, **domestic branded therapy volumes remain subdued** due to high out-of-pocket expenditure and the rising cost of long-term treatment.
- Government price controls, the rapid expansion of generic-focused pharmacy chains, and improving awareness have accelerated adoption of **low-cost generics**, especially in chronic therapies.

## Winners in an Affordability-led Market

- This realignment pressures traditional branded players but creates strong opportunity for models focused on:
- **Affordable formulations and trade generics**
- **Organized generic retail chains**
- **Price-sensitive markets across tier-2/3/4 cities**

Such formats benefit from:

- Higher patient volumes
- Better therapy adherence
- Stronger demand elasticity at low price points
- Wider market penetration

The consumption landscape is increasingly shifting toward **low-cost, high-quality generics**, altering future profit pools within Indian pharma.

## Zota Healthcare: Positioned to Benefit

This environment directly supports Zota Healthcare's strategic positioning. Through its **DavaIndia** franchise network, Zota is aligned with the key industry tailwinds of a **rising chronic patient base**, **increasing cost sensitivity**, the **rapid expansion of organized generic retail**, and a strong **government push for affordable medicines** (NPPA, PMBJP).

DavaIndia's proposition—offering medicines at **30–90% lower prices** than branded equivalents—positions it among the most scalable beneficiaries of the affordability-led market shift. Its focus on quality-assured generics, consistent availability, and an expanding nationwide footprint supports high repeat consumption and robust volume-led growth.

As the industry transitions increasingly toward affordable generic retail, DavaIndia is set to remain Zota's primary growth engine, providing a long visibility runway for sustained expansion.

## Zota Healthcare

### Exhibit 14: Zota Healthcare – Journey so far

#### Foundation Steps in Domestic marketing

- 2000:** Zota Healthcare incorporated
- 2004:** Acquired all brand names of Sayona Medicare via MOU
- 2007:** Acquired Mexon Health Care Ltd. Trademark and brands, including Health Park Labs and Aaron Biotech divisions
- 2010:** Zota Pharmaceuticals and Atoz Pharmaceuticals merged with Zota Health Care

#### Setting Up the Formulation Export Business

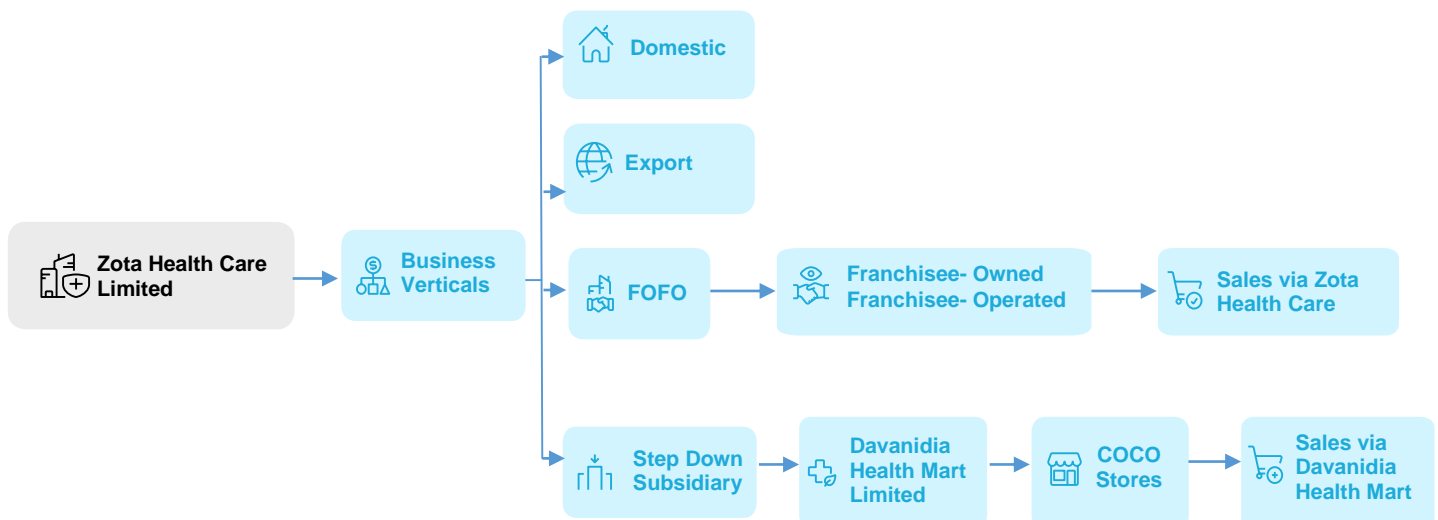
- 2010:** Inaugurated an export-oriented formulations manufacturing unit in Sachin SEZ
- 2011:** Commenced exports, expanding business to African countries
- 2012:** Secured WHO-GMP approval for the manufacturing unit at SEZ
- 2013:** Acquired trademark and brand names of Redix Lifecare
- 2014:** Obtained regulatory approvals from Kenya (PPB) and Sri Lanka (CDDA) for the Sachin SEZ plant
- 2017:** Received regulatory approval for SEZ plant from Tanzania (TFDA); Listed on NSE – SME

#### Strengthening Core and Pioneering Davaindia

- 2017:** Introduced Davaindia, a private sector generic pharmacy, through three pilot outlets
- 2018:** Achieved over Rs100mn in export sales; 75+ Davaindia stores
- 2019:** Opened ~150 Davaindia outlets; migrated to the main board of NSE
- 2020:** With over 250 outlets, Davaindia became the largest and fastest growing private sector generic pharmacy chain
- 2021:** Inception of COCO stores
- 2022:** Davaindia secured its position as India's largest private sector generic pharmacy with over 500 locations nationwide
- 2024:** Everyday Herbal Group – 56% stake acquired, licensed by Khadi and Village Industrial Commission, Government of India
- 2025:** Davaindia expanded to 1,745 active stores with 986 COCO and 759 FOFO stores (as on 30-Jun-25)

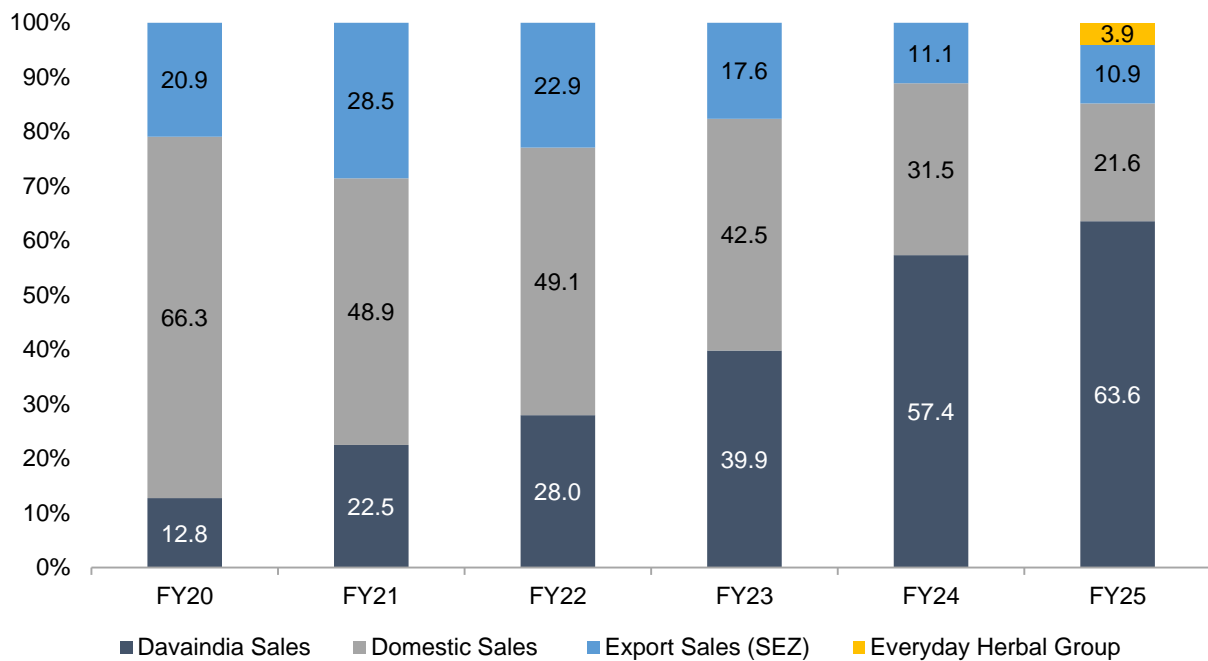
Source: Company Data, Nirmal Bang Institutional Equities Research

### Exhibit 15: Company structure of Zota Healthcare



Source: Company Data, Nirmal Bang Institutional Equities Research

**Exhibit 16: Revenue breakup over FY20-FY25**



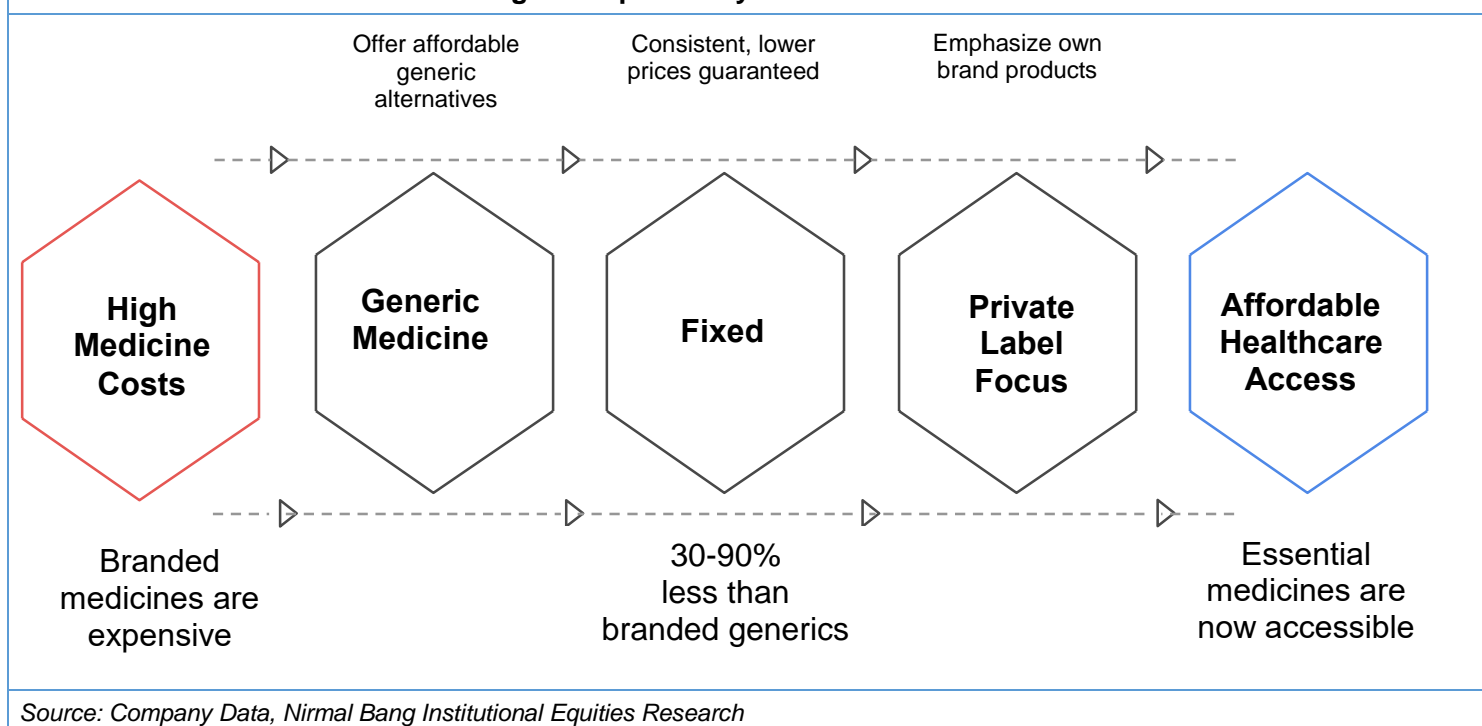
Source: Company Data, Nirmal Bang Institutional Equities Research

The revenue mix has shifted decisively toward Davaindia over FY20–FY25. Davaindia now contributes ~64% of revenues (vs 13% in FY20), driven by aggressive store expansion and rising consumer adoption. Domestic formulations and exports have reduced in mix as the retail generics business scaled rapidly. Zota has effectively transitioned into a Davaindia-centric, retail-focused generics company.

## Davaindia - Building Scale in Retail Generics

- **Davaindia represents Zota Healthcare's strategic entry into organized generic pharmacy retail**, launched in 2017 to make quality medicines accessible and affordable. The chain has since grown steadily to become India's largest private sector generic pharmacy network, bridging the gap between affordability and trust in pharmaceutical retail.
- **As on Sep-25, Davaindia operated 2,055 outlets across India**, comprising 1,207 company-owned (COCO) and 848 franchisee-owned (FOFO) stores. The network expanded from ~150 stores in FY19 to ~1,580 stores in FY25, reflecting the company's continued focus on widening access to affordable generics. The retail chain offers high-quality medicines priced 30–90% lower than branded equivalents and has diversified into OTC, ayurvedic, cosmetic, and nutraceutical products—particularly targeting chronic therapy segments such as diabetes, cardiovascular, and gastrointestinal disorders.
- **In FY25, Davaindia generated a Gross Merchandise Value (GMV) of Rs2.4bn, up from Rs1.3bn in FY24**, and contributed roughly 64% of Zota Healthcare's consolidated revenue. The dual format—COCO for control and quality assurance, FOFO for faster scalability—enables reach expansion while maintaining brand consistency and supply-chain efficiency. This hybrid model strengthens consumer confidence in the still-evolving organized generics retail category.
- **As Davaindia continues to expand rapidly, execution will be the key monitorable.** With stores typically reaching breakeven in around 1.5 years, the model's unit economics are fairly proven. The next leg of growth will depend on how effectively the company manages rollout pace, supply-chain efficiency, and consistency across stores as the network scales.

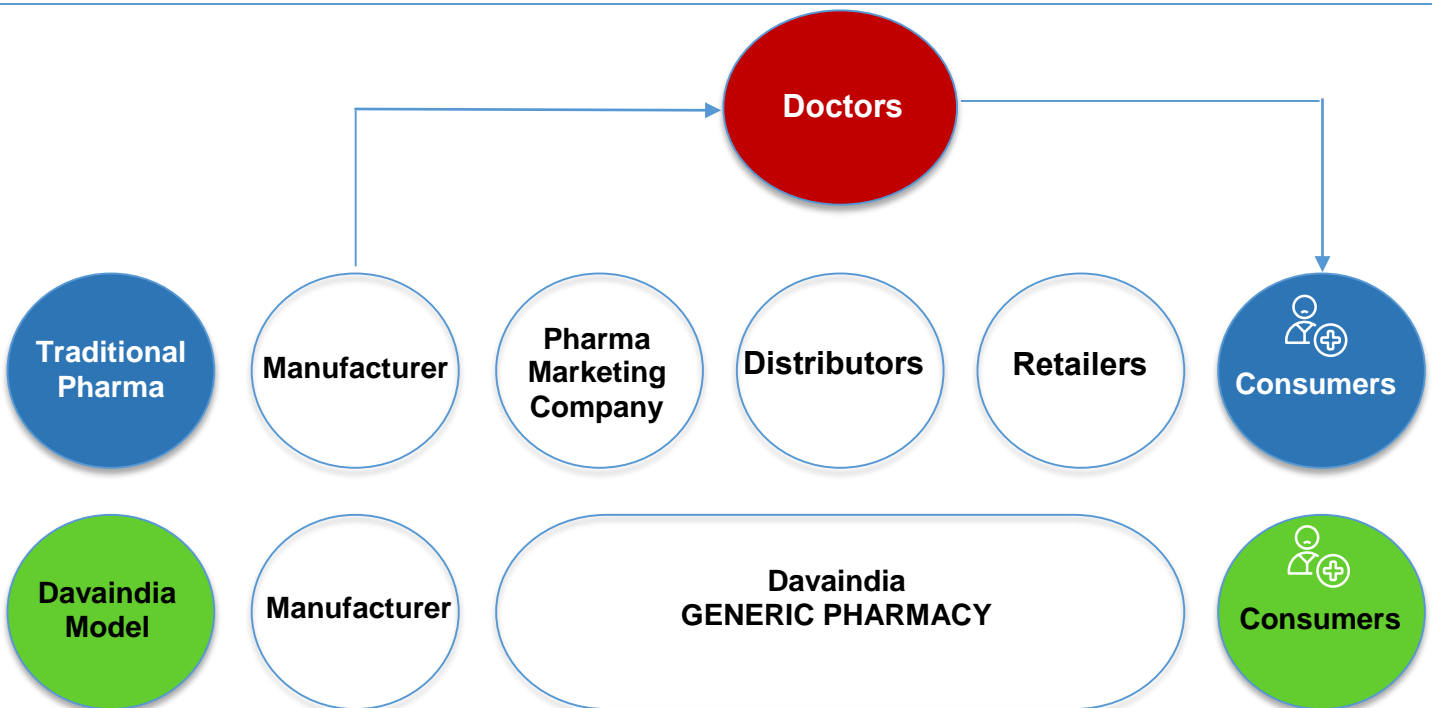
**Exhibit 17: Affordable healthcare via generic pharmacy**



## Davaindia – Right to Win

- **Deep Consumer Value Proposition:** Davaindia delivers therapeutically equivalent medicines at 30–90% lower prices, positioning it squarely in the fastest-growing segment of India's price sensitive pharmaceutical market. This deep value proposition directly aligns with rising OOPEx pressures and growing chronic disease prevalence.
- **Exclusive Private-label Portfolio Ensuring Quality and Margin Control:** By focusing on its own private-label generics across medicinal, OTC, ayurvedic, cosmetic, and nutraceutical products, Davaindia controls quality, ensures consistency, and captures superior gross margins (of 65%) vs traditional retailer margins (of 25%).
- **First-mover/scale advantage:** Organized generic-retail chains can consolidate early, benefit from economies of scale, and build strong brand recall—building a moat before generic retail becomes saturated.
- Launched with 3 pilot stores in 2017; expanded to 2,055 outlets as of Sep-25, comprising 1,207 COCO and 848 FOFO stores.
- Hybrid operating model:
  - COCO → tighter control, standardized operations
  - FOFO → asset-light expansion, faster rollout

**Exhibit 18: Davaindia – Eliminating the traditional supply chain**

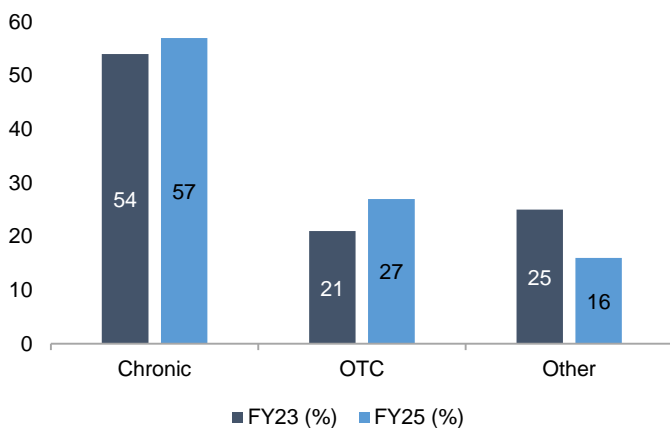


Source: Company Data, Nirmal Bang Institutional Equities Research

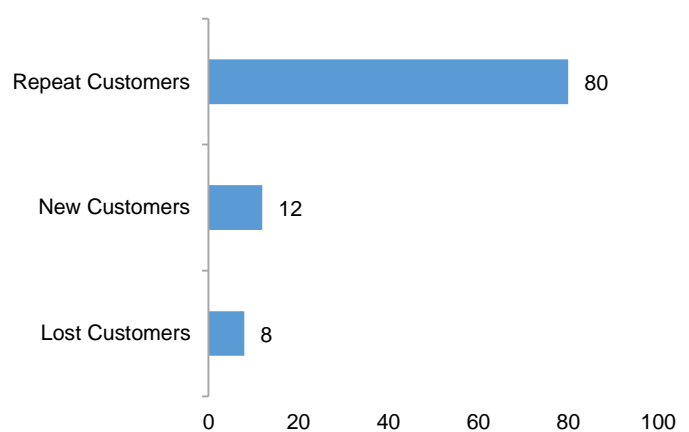
## Davaindia – Right to Win Patients

- **Compelling affordability advantage:** Offers therapeutically equivalent medicines at **30–90% lower prices**, sourced from **45+ WHO–GMP–certified manufacturers**, many of whom also supply leading branded companies — ensuring comparable efficacy, safety, and trust.
- **Brand-backed quality and accountability:** Provides a **single, trusted private-label brand** across all stores, ensuring consistent, standardized quality. Patients know exactly **who stands behind the medicine**, overcoming the major trust barrier associated with unorganized generics.
- **Broad, patient-relevant portfolio:** A curated private-label range of **2,000+ SKUs** across medicinal, OTC, ayurvedic, cosmetic, and nutraceutical categories, catering comprehensively to both **chronic** (diabetes, cardiac, gastrointestinal) and **acute** needs.
- **High prescription fulfilment:** Maintains a >90% prescription fill rate, improving patient convenience and reducing therapy discontinuation risks, especially for chronic care.
- **Direct-to-consumer delivery model:** Eliminates multiple layers of traditional distribution, enabling consistent product availability, lower prices, and stronger accessibility — particularly valuable for price-sensitive chronic therapy patients.

**Exhibit 19: Chronic share increased by 300bps**



**Exhibit 20: 80% repeat customers**



Source: Company Data, Nirmal Bang Institutional Equities Research

## COCO Stores – Driving Growth and Efficiency

As of Sep-25, Davaindia operates 1,207 COCO stores out of a 2,055-store network through its wholly-owned subsidiary, Davaindia Health Mart Ltd. The format enhances accessibility while allowing tighter operational control versus traditional counter-based pharmacies, enabling a more standardized and reliable retail experience across locations.

### Key Benefits of COCO Stores

- **Faster rollout:** Store launch timelines have improved from ~90 days to 75 days, with a targeted reduction to ~45 days, accelerating network expansion and catchment capture.
- **Higher profitability:** COCO stores benefit from stronger location selection, standardized operations and disciplined cost control, resulting in superior unit-level profitability versus conventional pharmacies.
- **Strategic partnership:** The collaboration with Indian Oil Corporation (IOCL) allows select COCO stores at petrol pumps, improving visibility, convenience, and last-mile reach.

### Operational Efficiency

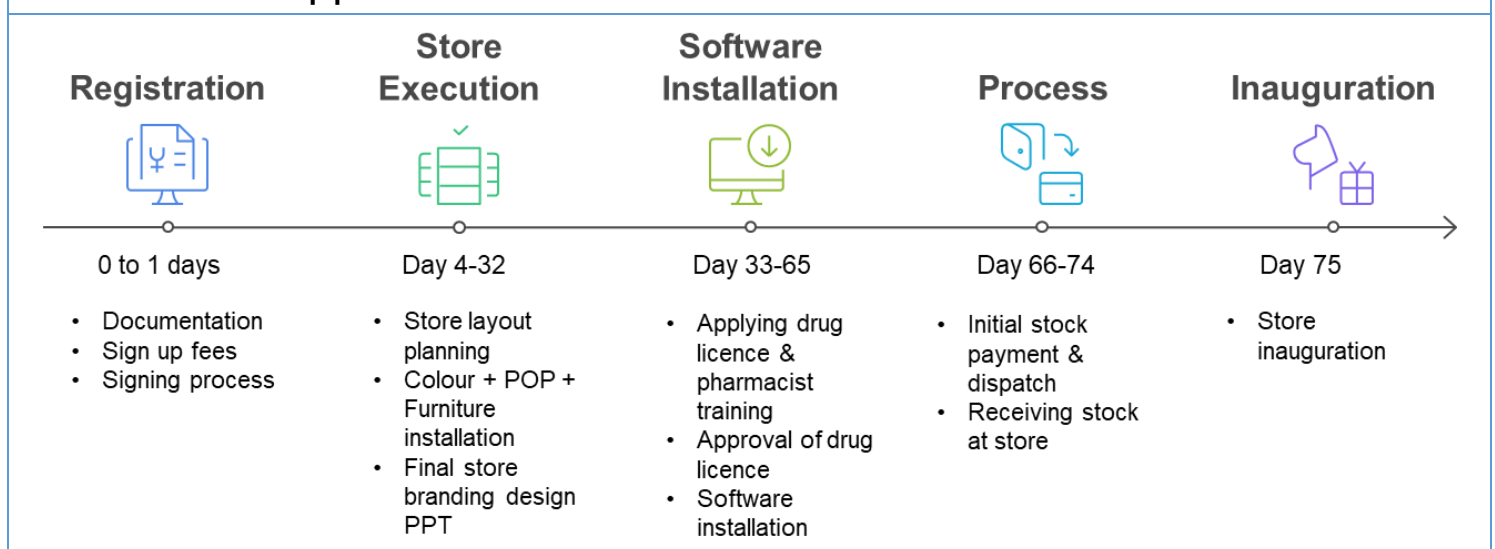
- **Inventory management:** A working capital cycle of 30–40 days ensures optimal inventory management, thereby preventing overstocking while maintaining consistent product availability.
- **Cost efficiency:** With an average size of 350–500sqft, COCO stores maintain lower rental and maintenance costs, while still offering a comprehensive product range.

### Enhancing Store Economics

- Rent rationalization initiatives have meaningfully reduced occupancy costs, structurally improving store-level profitability:
  - Phase 1: 100 stores reduced to Rs82,000/month,
  - Phase 2: 101 stores reduced further to Rs40,000/month,
  - Phase 3: 651 stores reduced to Rs32,000/month.
- These reductions lower fixed costs across the network and improve unit economics and payback periods.

**Quick Store Opening:** A Davaindia store opens up quickly, within just 75 days.

**Exhibit 21: Store setup process**

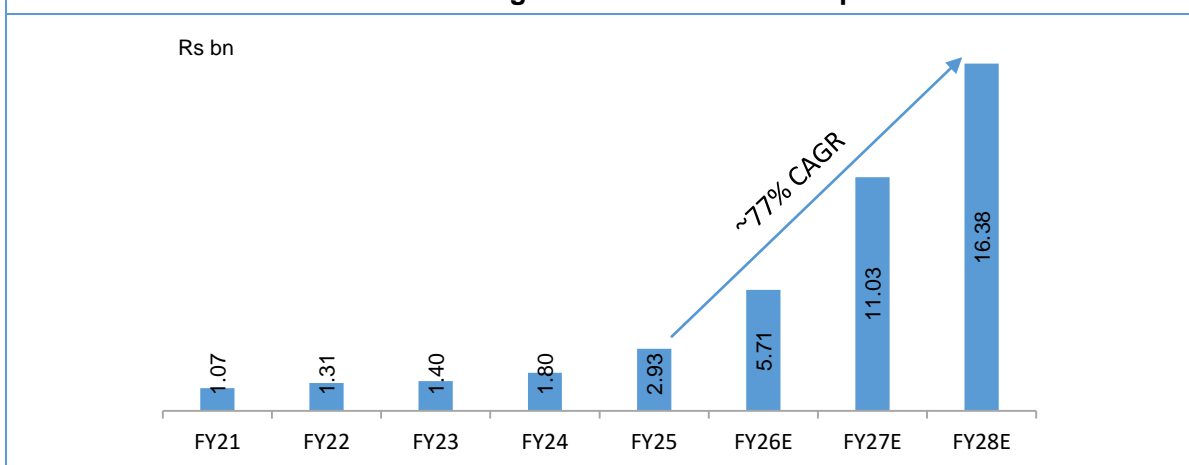


Source: Company Data, Nirmal Bang Institutional Equities Research

In our view, COCO stores act as Davaindia's primary patient interface, enabling consistent brand experience, quality assurance, and real-time demand visibility. The format also delivers superior gross margins of ~65%, well above the ~25% margin profile of traditional pharmacy retailers, driven by private-label sourcing and full ownership of products sold. This integrated structure provides Zota with tight control over sourcing, quality, and pricing—a key differentiator in India's fragmented retail pharmacy ecosystem.

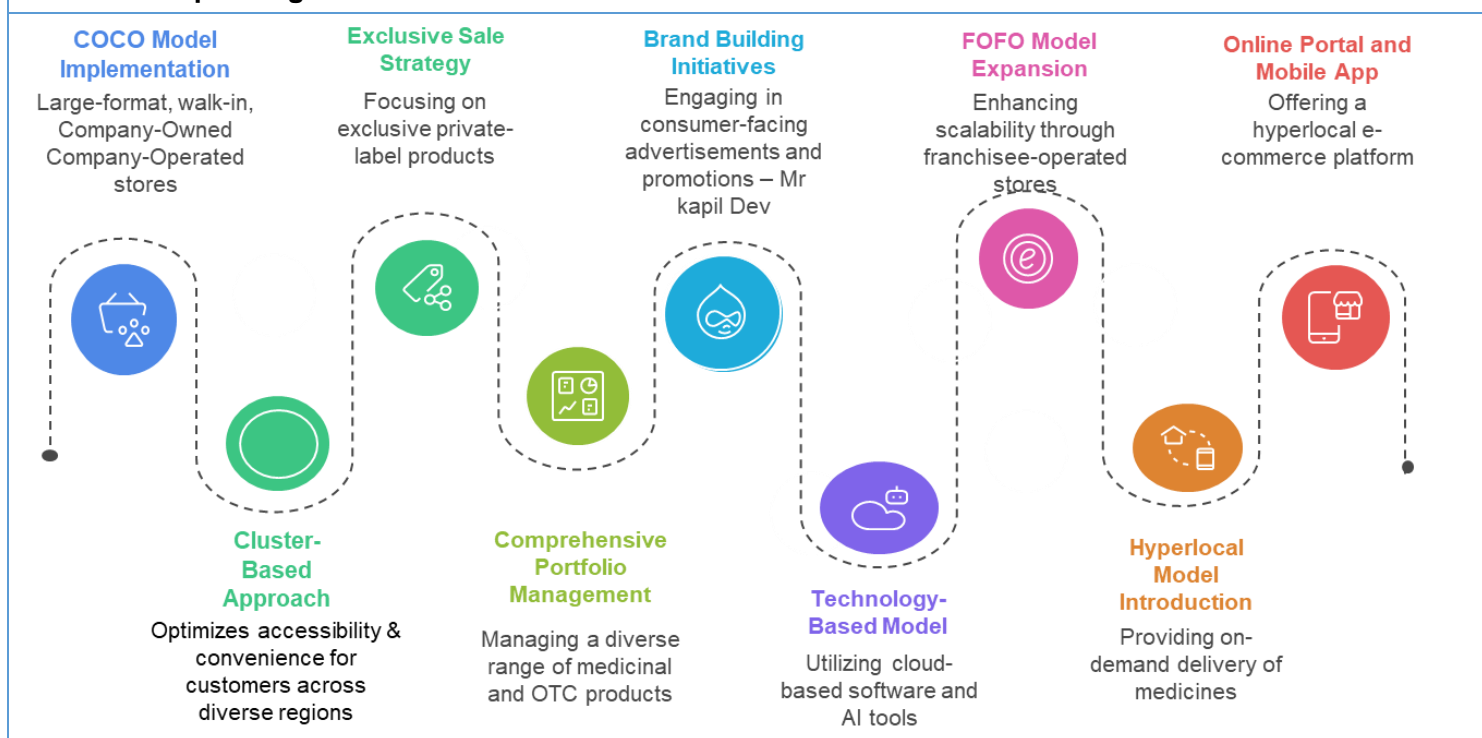
**Channel checks:** Our channel checks indicate high repeat footfall among chronic-therapy patients, who increasingly view Davaindia as a reliable and affordable source for long-term medication, with store traffic typically peaking during evening hours. We also believe that awareness and acceptance of generic medicines has improved, supported by widening price differentials, better consumer education, and the credibility offered by organized retail formats. These behavioral trends, combined with the operational and margin advantages of the COCO model, reinforce Davaindia's positioning as a scalable and patient-aligned platform in the value-driven pharmaceutical market.

**Exhibit 22: Zota Healthcare sales surge on Davaindia store expansion**



Source: Company Data, Nirmal Bang Institutional Equities Research

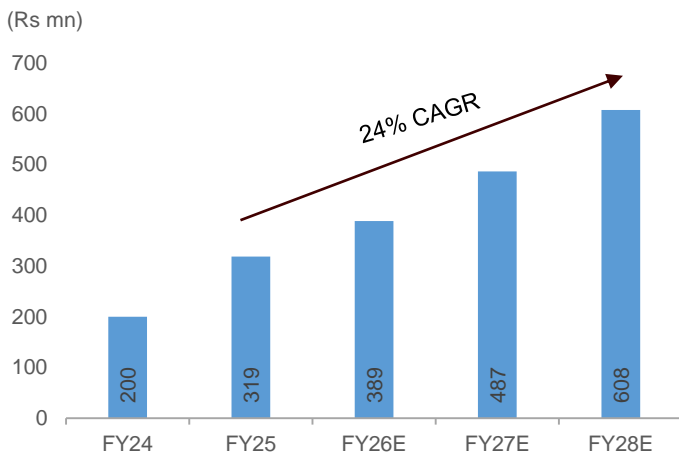
**Exhibit 23: Operating model of Davaindia**



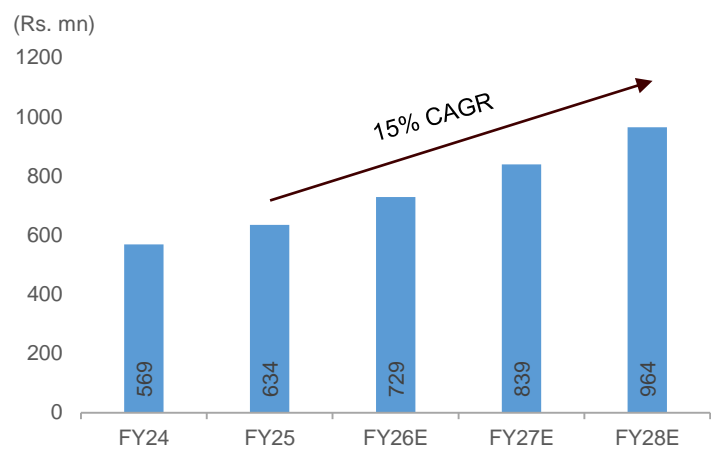
Source: Company Data, Nirmal Bang Institutional Equities Research

## Other business segments

**Exhibit 24: Export to clock 20% CAGR during FY25-28E over new product launches**



**Exhibit 25: Domestic sales expected at 15% CAGR on account of traction in the India market**



Source: Company Data, Nirmal Bang Institutional Equities Research

## Domestic Operations

Zota's domestic business, which was earlier the core revenue contributor, continues to record **steady growth and stable margins**. In FY25, revenue stood at Rs634mn (~22% of consolidated sales), reflecting ~11% YoY growth, supported by a broad portfolio of **4,000+ SKUs and a distribution base of over 1,050 partners**. The business operates on an integrated model, sourcing formulations from WHO-GMP-certified manufacturers, branding and packaging them under the Zota label, and distributing them nationwide. The domestic segment remains the company's cash flow backbone, supported by an established field force and steady prescription-driven sales, though competition in branded generics continues to intensify.

## Exports

Exports are emerging as a meaningful growth lever for Zota, with FY25 revenue at **Rs319mn (~11% of sales), a ~59% YoY increase**. The company now exports to **30+ countries** across the CIS, Latin America, Africa, and Asia, supported by its Sachin SEZ manufacturing unit. **Of the 586 dossiers filed, 325 have been approved, while 261 remain pending**, providing visibility for continued growth. The export business is margin-accretive, supported by scale benefits and favorable overseas pricing. Over the medium term, milestones such as the **planned EU-GMP audit at the Sachin facility** are expected to enable the company's entry into higher-value regulated markets.

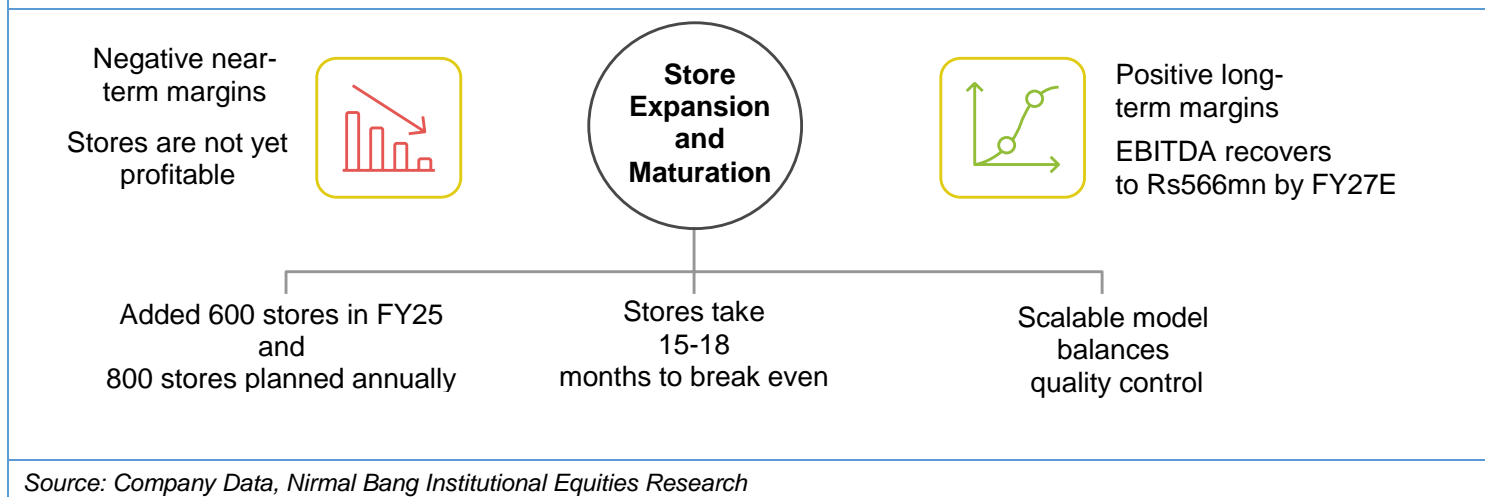
## Everyday Herbal (OTC & Wellness)

Zota's acquisition of a **56% stake in Everyday Herbal Group** has expanded its presence into the OTC and wellness space under the '**Khadi India**' brand. In FY25, the segment generated Rs114mn (~4% of consolidated sales), reflecting growing consumer interest in natural and herbal healthcare. The business adds depth to Zota's portfolio in OTC, ayurvedic, and cosmetic categories, while benefiting from the group's distribution network. The Khadi certification lends authenticity and visibility, and though still modest in size, this vertical is margin-accretive and positioned to benefit from rising demand for wellness-oriented products.

## Investment Hypothesis

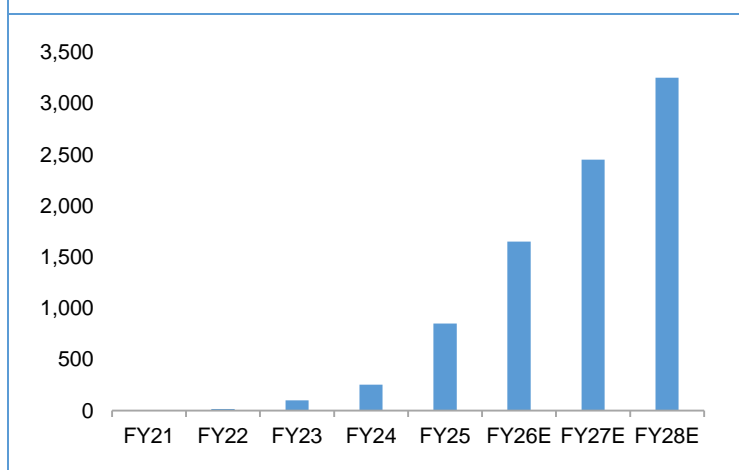
**Strong growth visibility driven by accelerated store expansion:** Davaindia's rapid network scale-up provides multi-year revenue visibility. The company added ~600 stores in FY25 and targets ~800 additions annually through FY26–28. With network densification and improving brand recall, a significant portion of future growth is already embedded, positioning the company to capture rising demand for affordable generics.

**Exhibit 26: Davaindia's growth and profitability**

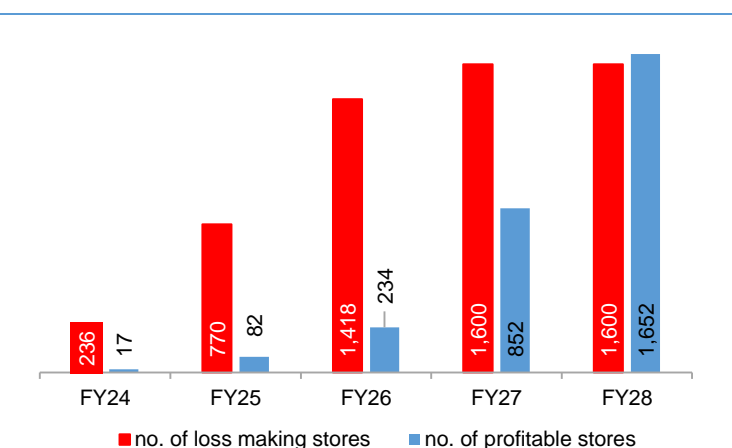


**Profitability inflection led by store maturity:** Davaindia stores typically breakeven within 15–18 months, implying that a large part of the current network is still in the investment phase. Only 82 stores had crossed breakeven in FY25; this number is expected to rise to ~852 by FY28, materially improving consolidated profitability. As store cohorts mature, fixed-cost absorption improves, private-label penetration rises, and the margin profile strengthens. This transition from a largely nascent base to a mature, self-sustaining network underpins the earnings inflection point.

**Exhibit 27: COCO stores witness significant expansion**



**Exhibit 28: Almost 51% COCO stores become profitable by FY28E leading to profitability**



Source: Company Data, Nirmal Bang Institutional Equities Research

**Operating leverage from a COCO–FOFO hybrid model:** Davaindia's hybrid structure balances the scalability of FOFO expansion with the superior unit economics and brand control of COCO outlets. With the management planning a sharper tilt toward COCO stores—potentially reaching a 3:1 ratio by FY28—the model is poised to deliver meaningful operating leverage as scale ramps up. This structure supports both rapid expansion and margin enhancement.

**Structural advantages reinforcing competitive moat:** Davaindia's private-label portfolio generates ~65% gross margins, far above the ~25% typical for traditional pharmacy retailers. Full ownership of the product portfolio makes the model difficult to replicate and protects against competitive imitation. Unlike conventional pharmacies that must actively convert branded customers to generics, Davaindia benefits from consumers who enter the store already seeking affordable alternatives. Rising acceptance of generics further strengthens this behavioral tailwind.

## Geographical footprint of COCO and FOFO stores

Company is planning to open ~800 new COCO stores annually from FY26-28E majorly in West Bengal, Maharashtra, Delhi NCR, and Madhya Pradesh. Company aims to majorly open stores in low- income areas where the patients are value conscious. We believe that the company would do a fundraise in 1HFY27 of Rs4bn for the COCO store network expansion.

### Exhibit 29: Davaindia store footprint as of Mar-25

State	COCO Stores	FOFO Stores
West Bengal	218	100
Uttar Pradesh	172	150
Maharashtra	100	41
Delhi	82	33
Haryana	55	42
Kerala	50	14
Telangana	33	5
Rajasthan	31	26
Uttarakhand	29	5
Karnataka	23	8
Gujarat	22	50
Punjab	22	6
Madhya Pradesh	10	60
Odisha	2	97
Bihar	-	30
Tripura	-	12
Assam	-	11
Others	3	40
<b>Total</b>	<b>852</b>	<b>730</b>

Source: Company Data, Nirmal Bang Institutional Equities Research

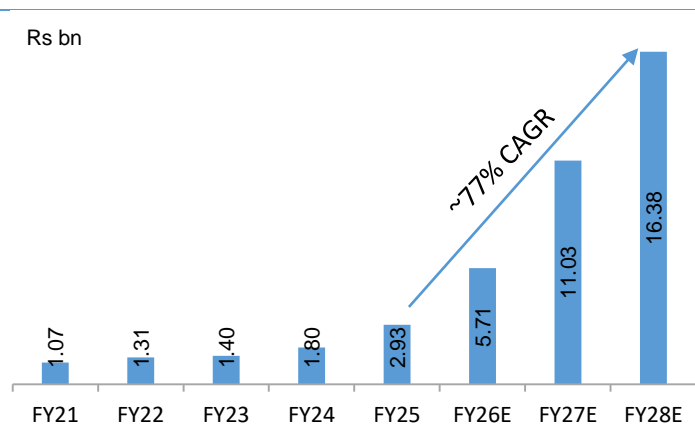
**Channel checks validate robust unit economics:** Our channel checks highlight strong customer stickiness, with **70–80% of sales coming from chronic medicines**, driving steady repeat demand. Footfalls and bill volumes increase sharply after 15–18 months of operations, enabling **mature-store EBITDA margins of 25–30%**. Stores are typically spaced **5–7km apart**, mitigating cannibalization risk and preserving catchment-level economics. Supported by rising store maturity and improving fixed-cost absorption, we expect **Davaindia's consolidated EBITDA margins to turn positive by FY27-end**, marking a key profitability milestone as larger cohorts move into steady-state operations.

## Financial Analysis

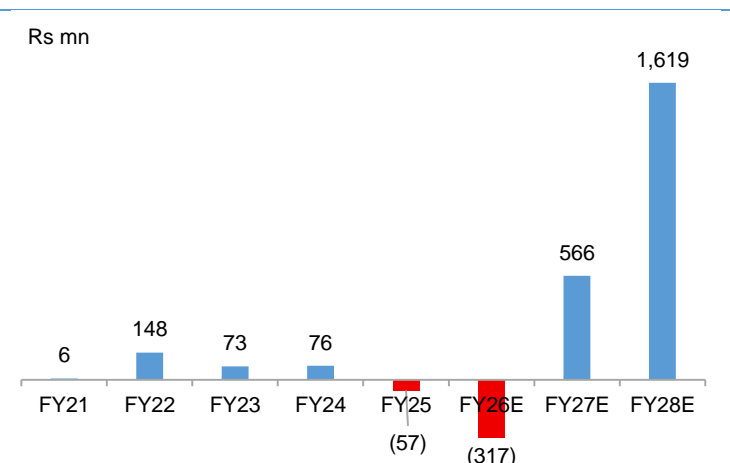
### Revenue growth led by aggressive store expansion

Zota Healthcare's consolidated revenue is expected to clock ~77% CAGR over FY25–28E, led primarily by the rapid expansion of Davaindia, which is projected to deliver ~100% CAGR. Growth is driven by ~600 store additions in FY25 and ~800 new outlets annually over FY26–28E, alongside improving same-store productivity as more stores mature. The exports vertical is expected to record ~20% CAGR, supported by Zota's expanding presence across 30+ countries, a strong regulatory pipeline (325 registered dossiers, 261 pending approvals), and a portfolio of 250+ products already commercialized. The domestic formulations business is estimated at ~15% CAGR, benefiting from Zota's reach across 1,050+ distributors, a portfolio of 4,000+ SKUs, and a focus on chronic, prescription-driven therapies. The Everyday Herbal segment, though small, is likely to scale at ~15% CAGR, aided by portfolio additions and rising demand in OTC wellness categories. Overall, consolidated revenues are expected to increase from Rs2.9bn in FY25 to Rs16.2bn by FY28E, driven by broad-based momentum across all verticals.

**Exhibit 30: Revenue growth led by rapid expansion of Davaindia stores**



**Exhibit 31: EBITDA turning positive**



Source: Company Data, Nirmal Bang Institutional Equities Research

### EBITDA recovery with maturing stores

Consolidated profitability is likely to remain under pressure in the near term, reflecting continued investments in Davaindia's rollout and a large number of stores still in the breakeven phase. We expect Davaindia to start contributing positively to EBITDA by FY27-end as the number of stores passing breakeven and becoming profitable should rise 20x from 82 in FY25 to 1,652 stores in FY28. The exports and domestic business segments are expected to deliver an EBITDA CAGR of 43% and 32% over FY25–28E to Rs184mn and 74mn, respectively. Everyday Herbal is expected to contribute Rs17mn to the EBITDA. However, Davaindia is expected to contribute Rs1,629mn to the EBITDA and also be the highest EBITDA contributor, as the number of stores achieving breakeven and passing into profitability should rise from 82 in FY25 to 1,652 stores in FY28. With breakeven typically achieved within 15–18 months, profitability is expected to improve as the network stabilizes. Also, the total number of COCO mature store are expected to increase from 17 in FY25 to 852 in FY28E. Consolidated EBITDA is projected at Rs(317)mn/566mn/1,619mn over FY26E/FY27E/FY28E, supported by operating leverage, a higher private-label mix, and cost optimization across verticals.

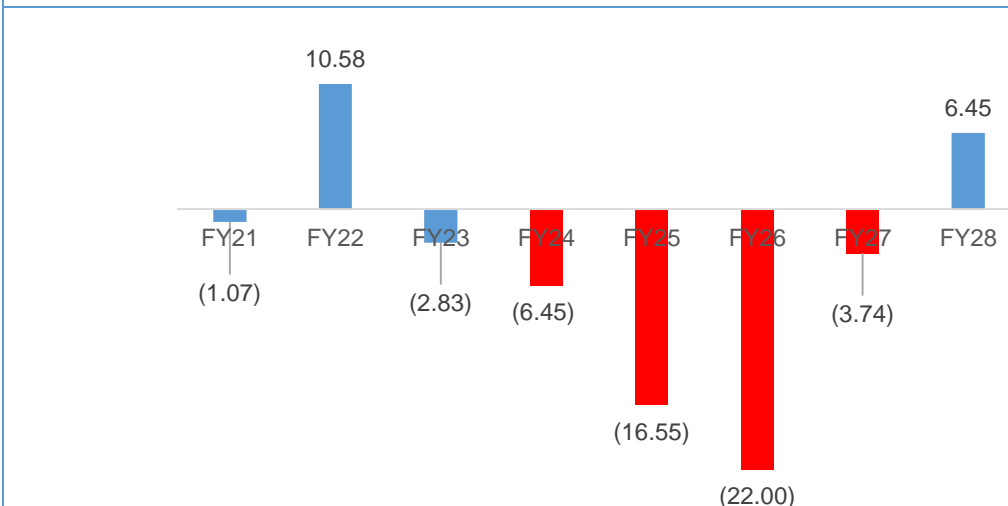
## Net profitability turnaround

In our view, Zota Healthcare Ltd is likely to remain loss making through FY26–27E as expansion-driven operating costs remain elevated under our assumption of ~800 annual store additions over FY26–28E. This front-loaded investment phase delays near-term profitability but creates a materially larger and more scalable network for the medium term. We expect the company to turn profitable by **FY28E**, with PAT improving from losses of **Rs1,126mn in FY26E** and **Rs515mn in FY27E** to a profit of **Rs340mn in FY28E**, supported by a sharp improvement in the store maturity mix and stronger unit economics. By FY28E, **1,652 stores (~51% of the network)** are expected to have **crossed breakeven**, and **852 stores** are expected to be **mature**, materially enhancing fixed-cost absorption and operating leverage. As per our channel checks, mature stores typically operate at **25–30% EBITDA margins**. As the network transitions into a more balanced growth phase beyond FY28, profitability should accelerate meaningfully, positioning Davaindia as a structurally stronger player in India's organized generics retail segment.

## Improving return ratios

Return ratios remain suppressed in FY26–27 as the profitability of older, mature stores is outweighed by the operating costs of newly-opened outlets, given the aggressive rollout pace. This dynamic keeps RoCE negative at –22% in FY26E and –3.74% in FY27E, as expansion-related costs continue to dominate the earnings profile. However, as the network expands and a significantly larger cohort of stores crosses the 15–18 month breakeven period, the contribution from profitable and mature outlets begins to outweigh the drag from new stores. By FY28E, with a materially higher share of profitable stores in the mix, RoCE turns positive to 6.5%, signaling the start of operating leverage and the transition toward a more sustainable profitability path. In essence, the near-term dilution reflects front-loaded expansion, while the inflection in FY28 marks the point where a larger, profitable store base begins to drive returns.

**Exhibit 32: RoCE turning positive over FY28**



Source: Company Data, Nirmal Bang Institutional Equities Research

## Valuation

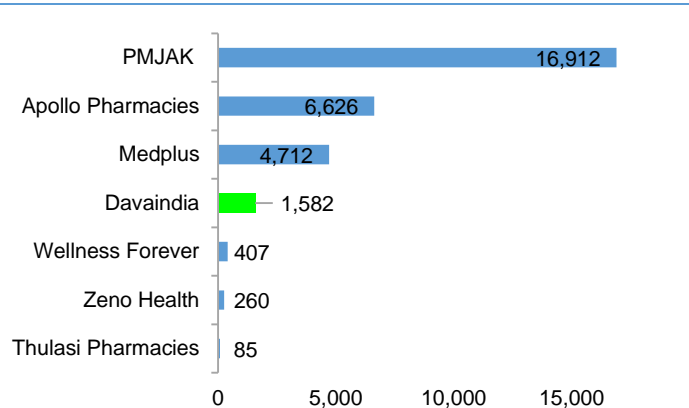
### Davaindia – Retail Chain

We value Zota Healthcare's Davaindia business at **4x FY28E Price-to-Sales**, a substantial premium to **MedPlus, which trades at 1.2x FY27E P/S**. This premium is justified by the **structural differences in business models, unit economics, and competitive intensity**, which place Davaindia in a fundamentally stronger position than conventional pharmacy retailers.

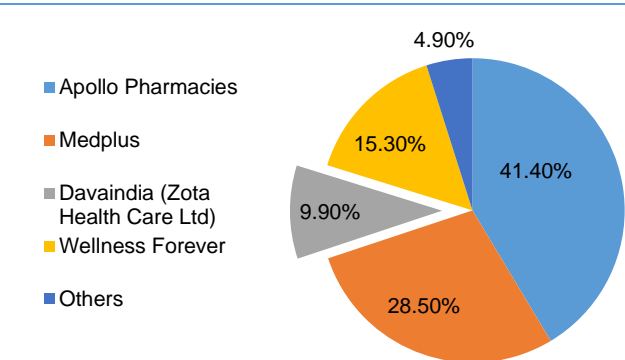
**1. Davaindia's business model is structurally superior and has a strong MOAT:** Unlike MedPlus—which is essentially a branded retailer sourcing ~80% of its SKUs from the open market and competes directly with almost 1mn traditional chemists across India—Davaindia sells its own private-label formulations, giving it full control over pricing, margins, and product quality. A MedPlus franchisee can replicate their assortment independently; a Davaindia franchisee cannot, because the entire portfolio is proprietary. This makes the Davaindia model deeply defensible and structurally unique.

**2. Superior margin profile and tighter value chain:** Davaindia generates ~65% gross margins, almost 2.5x MedPlus (~25–26%) and significantly above other organized chains. This is driven by vertical control, private-label ownership, and a direct-to-patient retail interface. Mature stores deliver 25–30% EBITDA margins, far ahead of MedPlus's -10% consolidated EBITDA margins.

**Exhibit 33: Davaindia — Third largest private pharmacy chain (FY25)**



**Exhibit 34: 10% market share in retail private pharmacy chain (FY25)**



Source: Company Data, Nirmal Bang Institutional Equities Research

**3. Higher revenue visibility from chronic-led repeat demand:** ~60% of Davaindia's sales come from chronic therapies, creating a recurring revenue base and improving predictability. Our channel checks confirm strong word-of-mouth adoption and high repeat purchase behavior.

**4. Lower competitive intensity versus MedPlus:** MedPlus competes not only with Apollo and Wellness Forever but with millions of independent chemists offering similar branded SKUs. Davaindia, however, competes in a differentiated space: affordable private-label generics, where traditional chemists cannot match price, branding or product consistency. This gives Davaindia a clearer runway for national expansion.

**5. Capital-efficient scalability:** Davaindia's smaller stores (~350sqft), lean inventory (~Rs0.6mn per outlet), and outsourced manufacturing across 45 approved sites support rapid expansion at lower capital intensity compared with MedPlus. The business is inherently designed for faster national scale-up.

**6. Accelerating maturity mix supports profitability inflection:** By FY28E, 1,652 stores (~51% of the network) are expected to cross breakeven, while 852 stores will reach full maturity. This shift should drive EBITDA losses of Rs317mn in FY26E to positive EBITDA of Rs1,619mn in FY28E, with PAT turning positive at Rs357mn, and ROE/ROCE improving to 5.3%/6.5% by FY28E.

Given Davaindia's superior unit economics, chronic-led recurring demand, defensible private-label portfolio, and significantly lower competitive intensity versus MedPlus, we value the business at 4x Dec-30E P/S, and after discounting to the present, derive a fair value of Rs1,807 per share.

## Domestic Business

Zota's domestic formulations business is valued at 12x Dec-30E EV/EBITDA, a premium to Akums, given Zota's private-label model and higher growth visibility, but at a discount to Alkem due to its smaller scale and lower return profile. We value the segment at 12x Dec-30E EV/EBITDA and arrive at a value of Rs36, which when discounted to the present value, results in a fair value of Rs24.

## Export Business Valuation

Zota's export business is primarily a formulations-led model with a strong presence across **30+ countries in Africa, Asia, CIS, and Latin America**, similar in construct to other India-based, export-focused formulators. We, therefore, benchmark this segment to **Caplin Point** and **Marksans Pharma**, both of which derive a large share of revenues from overseas formulations and operate in a mix of semi-regulated and regulated markets. Given Zota's smaller base but higher growth runway and margin-accretion potential, we value the export business **broadly in line with Caplin** and at a **modest premium to Marksans**, assigning a **15x Dec-30E EV/EBITDA multiple** (vs 15x for Caplin and 12–13x for Marksans in our peer set). We value the business segment at 15x EV/EBITDA over Dec-30E and arrive at a value of Rs124, discount it back to PV, and arrive at a fair value of Rs81.

## Everyday Herbal

We benchmark Zota's Everyday Herbal segment to **Dabur (6x P/S)** and **Patanjali (2x P/S)**. Given Zota's smaller scale but stronger growth outlook, we value the segment at **4x FY28E P/S** over Dec-30E and arrive at a value of Rs36, discount it back to PV, and arrive at a fair value of Rs24.

We value the company at an implied P/S of 3.85x over Dec-30E and arrive at a value of Rs2,945, discount it back to PV of Rs1,936, and initiate it with a BUY.

Business segment	Valuation matrix	Dec-30E Multiple (x)	Present value/Fair value
Davaindia	P/S	4	1,807
Export business	EV/EBITDA	15	81
Domestic business	EV/EBITDA	12	24
Everyday Herbal	P/S	4	24
<b>Target price (Rs)</b>			<b>1,936</b>

## Key Risks

**Execution risk in rapid expansion:** Zota's growth strategy is heavily dependent on the rapid rollout of Davaindia outlets. Any delay in store openings, weaker-than-expected ramp-up in new geographies, suboptimal site selection or inconsistency in execution could affect the growth trajectory and delay profitability inflection, especially given that a large portion of the network remains in early-stage ramp-up. That said, the management has shown a clear preference for opening stores in catchments where Davaindia already has 2–3 successful outlets, allowing them to leverage existing brand recall, established demand patterns, and operational familiarity.

**Store profitability lag vs expectations:** Generally, a store passes breakeven and becomes profitable is 15-18 months, and the number of profitable stores is expected to raise multifold, from 82 stores in FY25 to 850 stores in FY28. If breakeven periods stretch due to lower footfall, higher operating costs, local competition or suboptimal locations, store-level profitability and consolidated EBITDA could disappoint.

**Brand dilution and inconsistent franchise experience (FOFO risk):** While FOFO stores enable asset-light expansion, they also introduce the risk of inconsistent execution. Any deviation from Davaindia's operating standards—whether in counselling quality, store upkeep, stock availability or substitution practices—can dilute brand perception. Negative experiences at even a small number of FOFO outlets can disproportionately impact trust in the overall chain, particularly in a category where quality concerns already influence generic adoption. That said, the management has been increasing the frequency of operational checks and strengthening oversight of FOFO stores, which should help mitigate the risk of non-compliance and ensure greater uniformity across the network.

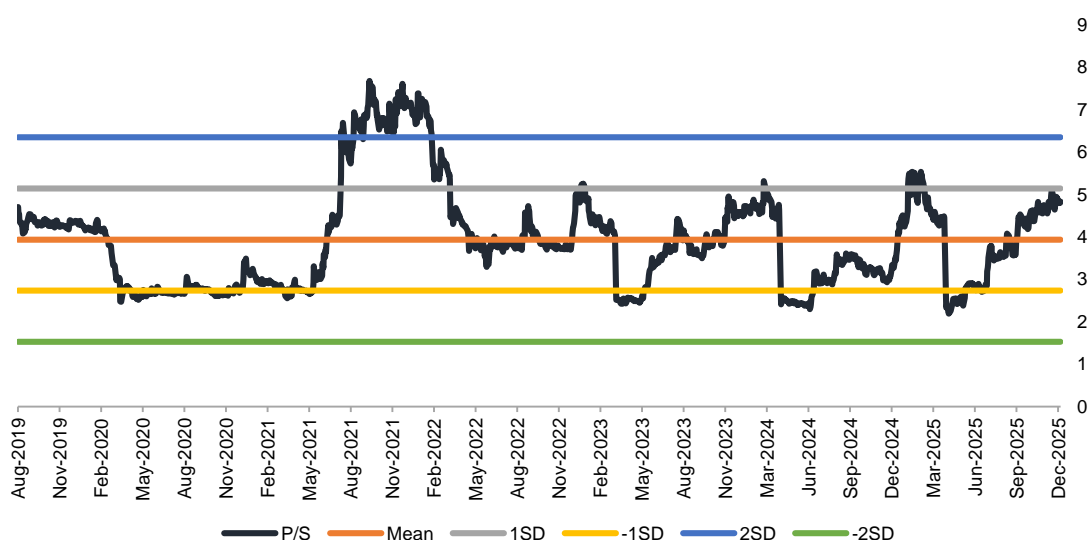
**Dependence on key suppliers and private-label concentration:** Davaindia's model relies on a focused set of WHO–GMP–compliant manufacturers for its private-label portfolio. Any supply disruption, pricing renegotiation, quality observation or compliance-related issue at key suppliers could affect product availability, margins, and brand credibility. High reliance on private-label products also concentrates risk if a systemic issue were to arise in a major therapeutic category. To mitigate this, the company has diversified its supply base across more than 45 WHO-GMP-compliant manufacturing sites in India, reducing dependency on any single facility and strengthening supply-chain resilience.

**Quality perception and trust in generics:** Although awareness and acceptance of generics are improving, a segment of patients still equates higher price with better quality. Any isolated quality issue, recall, or adverse event—whether attributable to Davaindia or perceived as such—could materially impact consumer trust. Given that Davaindia's proposition is anchored in 'same quality at lower price', reputational shocks would be particularly damaging.

**Talent and organization bandwidth:** A fast-expanding retail network requires strong mid-management, field supervision, supply-chain talent, and robust IT/analytics capability. Any gap in organizational depth—especially in regional leadership and store-level supervision—can lead to uneven performance, operational leakages, and weaker scalability.

**Competitive intensity:** Expansion of government-backed Jan Aushadhi Kendras and other private chains could pressure footfalls, pricing, and store economics.

**Exhibit 35: Price to sales**



Source: Company Data, Nirmal Bang Institutional Equities Research

## Exhibit 36: Management details

Name	Designation	Education	Experience and Highlights
Mr. Ketankumar Chandulal Zota	Chairman	Diploma in Pharmacy, Gujarat University	39+ years in pharma; recipient of Lifetime Achievement Award (DCGI) and Pharma Ratna Asia (2019). Founding visionary.
Mr. Moxesh Ketanbhai Zota	Managing Director	B.Pharm (GTU); Master's in International Marketing & Business (BPP Univ., UK)	Oversees strategy and growth; strong background in international business and expansion.
Dr. Sujit Paul	Group CEO & KMP	B.Sc. (Hons.), MBA (IMT), Doctorate in Management (ISBM)	24+ years in leadership across Reliance Retail & Apollo; scaled 1,000+ pharmacies; retail & healthcare strategist.
Mr. Himanshu Muktilal Zota	Whole-time Director	Diploma in Pharmacy; BCA (Aptech)	30+ years at Zota; expertise in finance, IT, and execution; architect of Davaindia's rollout.
Mr. Viren Manukant Zota	Whole-time Director	BBA, B.R.C.M. College	10+ years in franchise marketing & procurement; optimized sourcing and inventory processes.
Mr. Kamlesh Rajnikant Zota	Whole-time Director	B.Pharm, Gujarat University	28+ years in pharma ops; ex-Torrent & Unique Pharma; expert in regulatory approvals & compliance.
Mr. Dhiren Prafulbhai Shah	Independent Director	B.Pharm, M.Pharm (L. M. College); MBA (IGNOU); Ph.D. (Gujarat Univ.)	30+ years in pharma & academia; ex-Cipla; Principal of Naranjibhai Lalbhai Patel College; Editor-in-Chief, IJPR.
Mrs. Jayshree Nileshkumar Mehta	Independent Director	Diploma in Pharmacy, Gujarat University	35+ years as a retail pharmacist; grassroots healthcare experience and community focus.
Mrs. Bhumi Maulik Doshi	Independent Director	B.Com; pursuing CA & M.Com (VNSGU)	10+ years in accounts & GST; ex-D.D. Constructions; brings financial & governance depth.
CA Vitrag Sureshkumar Modi	Independent Director	FCA, ICAI; B.Com (VNSGU)	Practicing CA since 2017; expertise in taxation, corporate audits & governance.
Dr. Varshaben Gaurang Mehta	Independent Director	B.A.M.S., O. H. Nazar Ayurvedic University	Practicing physician; runs Shreeji Clinic; adds medical and clinical insights at board level.
Mr. Laxmi Kant Sharma	Executive Director	B.Sc. Biology (Rajasthan Univ.); Diploma in Pharmacy (Maharashtra)	21+ years in pharma sales & retail; manages Davaindia operations; customer-centric growth driver.
CA Dhaval Chandubhai Patwa	Independent Director	FCA, ICAI; DISA; B.Com (VNSGU)	13+ years in taxation, audit & corporate services; practicing CA since 2011. Strengthens financial oversight.

Source: Company Data, Nirmal Bang Institutional Equities Research

## Exhibit 37: Share holding pattern

Individual Shareholders	in %
Zota Himanshu Muktilal	10.37
Zota Ketankumar Chandulal	10.06
Zota Manukant Chandulal	7.85
Zota Kamlesh Rajnikant	6.57
Agrawal Asha Mukul	5.38
Zota Manishaben Kamleshkumar	4.73
Zota Rasilaben Manukantbhai	3.3
Varshaben Himanshubhai Zota	2.97
Anilaben Ketankumar Zota	2.53
Agrawal Mukul Mahavir	2.43
3P India Equity Fund	1.37
WhiteOak Capital Asset Management Ltd	0.06
Others	42.38
<b>Total</b>	<b>100</b>

Source: Company Data, Nirmal Bang Institutional Equities Research

## Financial statements

**Exhibit 38: Income statement**

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>1,805</b>	<b>2,930</b>	<b>5,712</b>	<b>11,027</b>	<b>16,383</b>
Growth YoY %	29.0	62.3	95.0	93.1	48.6
<b>Gross profit</b>	<b>838</b>	<b>1,557</b>	<b>3,283</b>	<b>6,572</b>	<b>9,874</b>
<b>Gross margin %</b>	<b>46.4</b>	<b>53.1</b>	<b>57.5</b>	<b>59.6</b>	<b>60.3</b>
Staff costs	305	861	1,731	2,467	3,316
<b>% of sales</b>	<b>16.9</b>	<b>29.4</b>	<b>30.3</b>	<b>22.4</b>	<b>20.2</b>
Other expenses	458	753	1,870	3,539	4,939
<b>% of sales</b>	<b>25.4</b>	<b>25.7</b>	<b>32.7</b>	<b>32.1</b>	<b>30.1</b>
<b>EBITDA</b>	<b>76</b>	<b>-57</b>	<b>-317</b>	<b>566</b>	<b>1,619</b>
Growth YoY %	3.0	-175.9	453.6	-278.4	186.0
<b>EBITDA margin %</b>	<b>4.2</b>	<b>-2.0</b>	<b>-5.6</b>	<b>5.1</b>	<b>9.9</b>
Depreciation	201	432	611	839	979
EBIT	-125	-489	-928	-273	640
Interest	48	108	166	238	303
Other income	12	21	21	21	21
PBT (bei)	-162	-576	-1,073	-491	357
PBT	-162	-576	-1,073	-491	357
ETR	11	2	-5	-5	5
PAT	-143	-567	-1,126	-515	340
<b>Adj PAT</b>	<b>-143</b>	<b>-567</b>	<b>-1,126</b>	<b>-515</b>	<b>340</b>
<b>Growth YoY %</b>	<b>123.0</b>	<b>295.4</b>	<b>98.5</b>	<b>-54.3</b>	<b>NA</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 39: Balance sheet**

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	258	286	316	344	344
Reserves	641	1,985	2,390	5,875	6,215
<b>Net worth</b>	<b>900</b>	<b>2,272</b>	<b>2,706</b>	<b>6,219</b>	<b>6,559</b>
Long term debt	0	50	50	50	50
Short term debt	147	6	6	6	6
<b>Total debt</b>	<b>147</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>56</b>
<b>Net debt</b>	<b>137</b>	<b>20</b>	<b>47</b>	<b>-1,802</b>	<b>-732</b>
Other non-current liabilities	647	1,064	1,878	2,642	3,293
<b>Total Equity &amp; Liabilities</b>	<b>2,283</b>	<b>4,391</b>	<b>6,011</b>	<b>10,969</b>	<b>12,585</b>
Gross block	414	861	1,501	2,141	2,301
Accumulated depreciation	-613	-993	-1,212	-1,208	-1,359
<b>Net Block</b>	<b>1,027</b>	<b>1,854</b>	<b>2,713</b>	<b>3,349</b>	<b>3,660</b>
CWIP	48	56	56	56	56
Intangible and others	0	9	9	9	9
Other non-current assets	92	631	93	93	93
Investments	0	0	0	0	0
Trade receivables	272	405	758	1,404	1,996
Inventories	538	1,057	2,029	3,857	5,641
Cash & Cash Equivalents	10	36	9	1,858	788
Other current assets	296	344	344	344	344
<b>Total current assets</b>	<b>1,116</b>	<b>1,842</b>	<b>3,140</b>	<b>7,462</b>	<b>8,767</b>
Trade payables	336	424	795	1,475	2,102
Other current liabilities	254	576	576	576	576
<b>Total current liabilities</b>	<b>737</b>	<b>1,006</b>	<b>1,377</b>	<b>2,057</b>	<b>2,684</b>
<b>Total Assets</b>	<b>2,283</b>	<b>4,391</b>	<b>6,011</b>	<b>10,969</b>	<b>12,585</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 40: Cash flow**

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
<b>PBT</b>	<b>(162)</b>	<b>(576)</b>	<b>(1,073)</b>	<b>(491)</b>	<b>357</b>
Depreciation	201	432	611	839	979
Interest	48	108	145	238	303
Other adjustments	(12)	(28)	0	0	0
Change in Working capital	(120)	(400)	(954)	(1,793)	(1,749)
Tax paid	(15)	(35)	(54)	(25)	(18)
<b>Operating cash flow</b>	<b>(60)</b>	<b>(500)</b>	<b>(1,325)</b>	<b>(1,231)</b>	<b>(127)</b>
Capex	(167)	(460)	(1,469)	(1,476)	(1,290)
<b>Free cash flow</b>	<b>(227)</b>	<b>(959)</b>	<b>(2,795)</b>	<b>(2,707)</b>	<b>(1,418)</b>
Other investing activities	38	(462)	538	0	0
<b>Investing cash flow</b>	<b>(129)</b>	<b>(922)</b>	<b>(931)</b>	<b>(1,476)</b>	<b>(1,290)</b>
Issuance of share capital	8	1,511	1,561	4,028	0
Movement of Debt	147	(141)	0	0	0
Dividend paid (incl DDT)	(26)	(27)	0	0	0
Other financing activities	59	104	669	527	347
<b>Financing cash flow</b>	<b>188</b>	<b>1,448</b>	<b>2,230</b>	<b>4,555</b>	<b>347</b>
<b>Net change in cash flow</b>	<b>(1)</b>	<b>26</b>	<b>(27)</b>	<b>1,848</b>	<b>(1,070)</b>
Opening C&CE	11	10	36	9	1,858
Closing C&CE	10	36	9	1,858	788

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 41: Key ratios**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Per share (Rs)</b>					
Adj EPS	(5.6)	(19.8)	(35.7)	(15.0)	9.9
Book value	34.8	79.3	85.7	180.9	190.8
DPS	1.0	1.0	0.0	0.0	0.0
<b>Valuation (x)</b>					
P/Sales	22.9	15.6	8.8	5.0	3.4
EV/EBITDA	549.3	(799.6)	(159.3)	94.0	33.5
P/E	(288.2)	(80.8)	(44.8)	(106.8)	161.9
P/BV	46.0	20.2	18.7	8.8	8.4
<b>Return ratios (%)</b>					
RoCE	(6.4)	(16.6)	(22.0)	(3.7)	6.5
RoCE (pre-tax)	(6.1)	(16.5)	(22.2)	(3.9)	6.6
RoE	(16.8)	(35.8)	(45.3)	(11.5)	5.3
RoIC	(6.6)	(14.2)	(21.0)	(3.2)	6.1
<b>Profitability ratios (%)</b>					
Gross margin	46.4	53.1	57.5	59.6	60.3
EBITDA margin	4.2	(2.0)	(5.6)	5.1	9.9
PAT margin	(7.9)	(19.4)	(19.7)	(4.7)	2.1
<b>Liquidity ratios (%)</b>					
Current ratio	1.5	1.8	2.3	3.6	3.3
Quick ratio	0.8	0.8	0.8	1.8	1.2
<b>Solvency ratio (%)</b>					
Net Debt to Equity ratio	1.0	0.4	0.8	0.2	0.4
<b>Turnover ratios</b>					
Fixed asset turnover ratio (x)	2.1	2.0	2.4	3.6	4.6
Debtor days	55.1	50.5	48.5	46.5	44.5
Inventory days	108.7	131.7	129.7	127.7	125.7
Creditor days	68.0	52.8	50.8	48.8	46.8
Net Working capital days	95.9	129.3	127.3	125.3	123.3

Source: Company, Nirmal Bang Institutional Equities Research

## DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

**Analyst Certification:** I/We, Umesh Laddha, research analyst the authors of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

\*"Registration granted by SEBI and certification from NISM in no way guarantee the performance of the intermediary or provide any assurance of returns to investors."

Our reports are also available on our website [www.nirmalbang.com](http://www.nirmalbang.com)

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name		Email Id	Direct Line
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Seshagiri Ranganathan	Head of Sales	seshagiri.r@nirmalbang.com	+91 22 6273 8228
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010