



August 3, 2023

Listing Department

BSE LIMITED

P. J. Towers, Dalal Street,

Mumbai-400 001

Code: 531 335

Listing Department

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

Exchange Plaza, C/1, Block G,

Bandra Kurla Complex,

Bandra (E),

Mumbai-400 051

Code: ZYDUSWELL

Re: **Investor Presentation**

Dear Sir / Madam,

Please find attached the Investor Presentation on the unaudited financial results for the quarter ended on June 30, 2023.

Please find the same in order.

Thanking you,

Yours faithfully,

For, **ZYDUS WELLNESS LIMITED**

NANDISH P. JOSHI

COMPANY SECRETARY

Encl.: As above

Zydus Wellness Limited

Regd. Office: 'Zydus Corporate Park', Scheme No. 63, Survey No. 536, Khoraj (Gandhinagar), Nr. Vaishnodevi Circle, S. G. Highway, Ahmedabad – 382481, India.

Phone No.: +91-79-71800000; **Website:** www.zyduswellness.com

CIN: L15201GJ1994PLC023490

Q1 FY24 Earnings Presentation

August 3, 2023



This presentation contains certain forward-looking statements including those describing Zydus Wellness’s strategies, strategic direction, objectives, future prospects, estimates etc. Investors are cautioned that “forward looking statements” are based on certain expectations, assumptions, anticipated developments and other factors over which Zydus Wellness exercises no control. Hence, there is no representation, guarantee or warranty as to their accuracy, fairness or completeness of any information or opinion contained therein. Zydus Wellness undertakes no obligation to publicly update or revise any forward-looking statement. These statements involve a number of risks, uncertainties and other factors that could cause actual results or positions to differ materially from those that may be projected or implied by these forward-looking statements. Such risks and uncertainties include, but are not limited to: growth, competition, domestic and international economic conditions affecting demand, supply and price conditions in the various businesses in Zydus Wellness’s portfolio, changes in Government regulations, tax regimes and other statutes. This document is a presentation and is not intended to be a prospectus or offer for sale of securities.

Zydus Wellness:
A leading
Consumer Wellness
Company in India



Financial performance – Q1 FY 24



Operating environment- Overview



Brand Highlights



The Road Ahead



**Financial Performance
&
Operating Environment - Overview**

**Zy⁺dus
Wellness**

01



Erratic weather patterns

Unseasonal rains across key states impacting off-takes of summer products across industries

02



Moderation in commodity rates

Commodity rates continues to moderate sequentially during the quarter

03



Slow demand recovery

FMCG demand trends gradually improving with Urban leading it. Rural still lagging behind

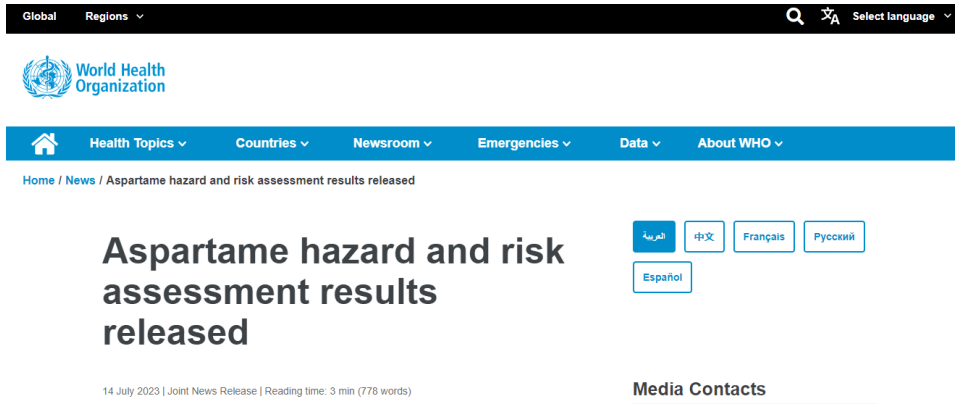
04



External factors

Health concern raised again on consumption of Aspartame based sweeteners exceeding certain daily dose intakes

Concerns over consumption of Non-Nutritive Sweeteners raised again



WHO assessment outcome


- Aspartame declared “possibly carcinogenic” → There is limited / insufficient evidence in humans and animals
- Declared to be safe at recommended consumption doses

Proactively addressing all cohorts on safety

CONSUMER

1 Vernacular videos to drive relevance

- ✓ 20+ videos to be driven via health based apps



6 Vernacular videos produced with Doctors and Nutritionists recommending Sugar Free

INDUSTRY

2 FICCI Conference on WHO NUGAG guidelines

- ✓ Organized a seminar on deciphering the WHO NUGAG guidelines on use of NSS



FICCI Seminar on Deciphering the WHO NUGAG guidelines on Use of Non- Sugar Sweeteners

FICCI Seminar on the WHO NUGAG Non- Sugar Sweet

PORFOLIO FOCUS

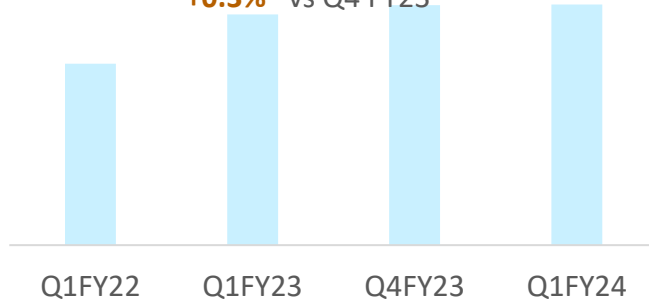
3 Focus on Sucralose and Stevia

- ✓ Address the perception challenge on Aspartame by further prioritizing Sucralose and Stevia

Moderating price inflation to help improve Gross Margins going ahead..

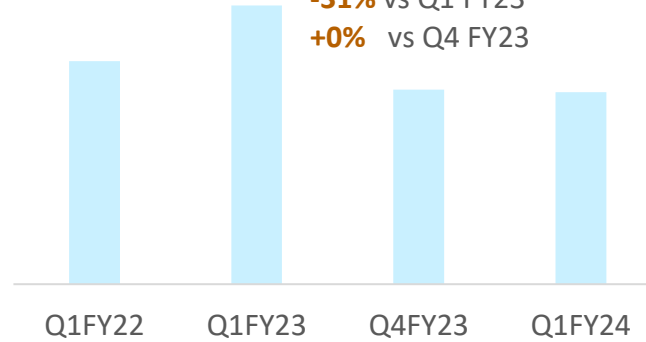
Milk

+33% vs Q1 FY22
+4% vs Q1 FY23
+0.3% vs Q4 FY23



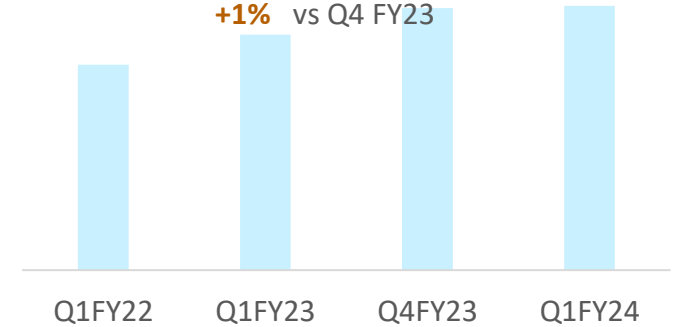
RPO*

-14% vs Q1 FY22
-31% vs Q1 FY23
+0% vs Q4 FY23



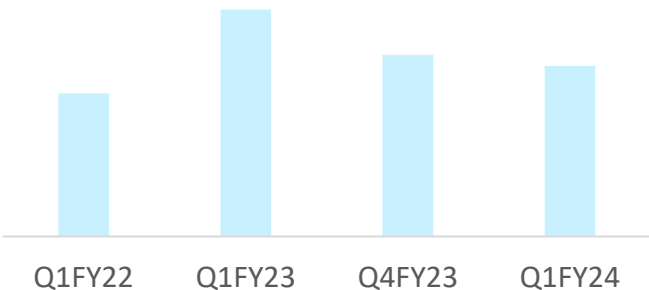
DMH*

+29% vs Q1 FY22
+12% vs Q1 FY23
+1% vs Q4 FY23



Aspartame

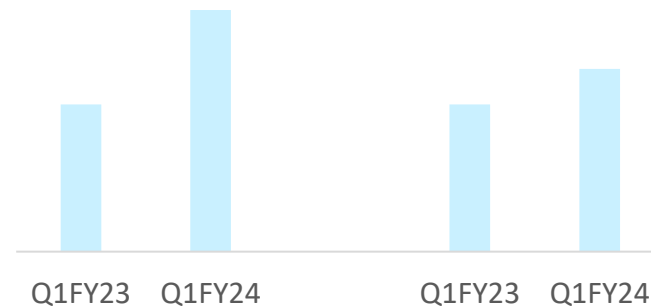
+19% vs Q1 FY22
-25% vs Q1 FY23
-6% vs Q4 FY23



Wage rate increase

Sikkim Plant
 ~64% vs. Q1FY23

Ahmedabad Plant
 ~24% vs. Q1FY23



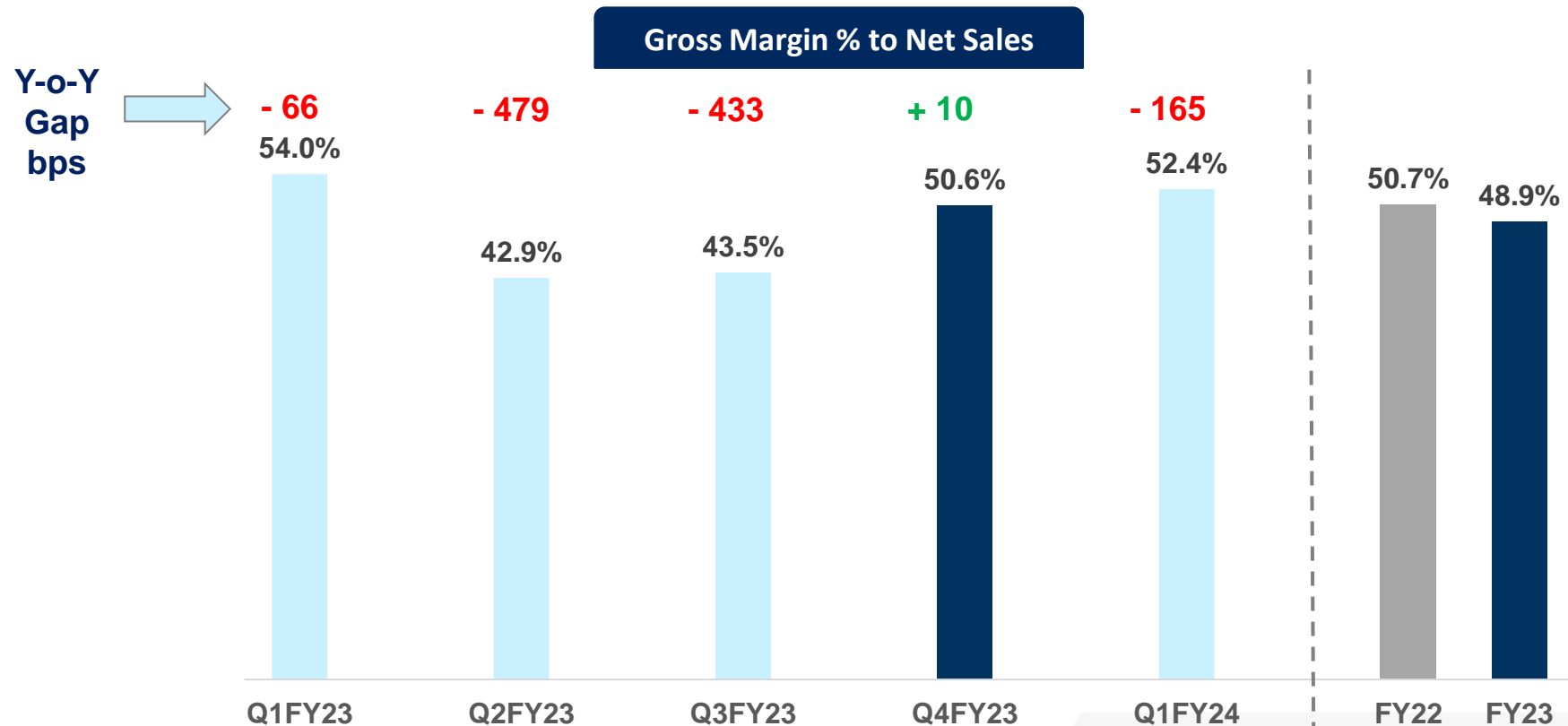
- ☐ Gross margin of non-dairy portfolio continued to improved
- ☐ Elevated price of milk continue to partially impact dairy portfolio's gross margin

*RPO- Refined Palm Oil
 DMH- Dextrose Monohydrate

Gross margin recovery with right actions...

Continuous efforts to improve gross margins with calibrated price increases across portfolio at appropriate time without compromising on growth

Unfavorable product mix due to unseasonal rains in summer season impacted the gross margin recovery for Q1 FY24



Segment performance snapshot

Net Sales (INR Million)



Y-o-Y Gr. On Net Sales

0.9%

Food & Nutrition



Sales Growth Y-o-Y

-1.6%

Personal Care



Sales Growth Y-o-Y

11.8%

Financial Highlights

INR Million

	Q1 FY24	
		YoY Growth %
Net Sales	6,992	0.9%
Total Income from Operations	7,021	0.8%
Gross Contribution	3,691	-2.4%
EBITDA	1,165	-21.3%
Reported PAT*	1,104	-19.4%
Adjusted PAT	1,246	-10.9%

- ❑ Gross margin on net sales was at 52.4% (-165bps YoY) mainly impacted due to unfavorable product mix
- ❑ Other expenses grew by 13.6% on YoY basis mainly on account of high cost of alternative fuel and statutory wage rate increase which continued to impact overall manufacturing cost
- ❑ One-time expenditure of Rs.142 million rupees on account payment towards one time settlement with workers, legal charges and provision for inventory write off for Sitarganj plant

Brand Highlights

Zy⁺us
Wellness

Leaders in 5 out of 6 categories



Strengthen “Energy” credential with new launches

- Category leading brand with 99% plus brand recall
- ~60% market share in the category



Strengthening core through Relaunch of the Brand

- Focused on scientifically proven claims on memory and concentration and enhanced chocolate taste
- 1 lakh stores added since acquisition



Replacing sugar in all forms of Consumptions

- India’s first low calorie sugar substitute with more than 95% market share
- Potential to be amongst top 3 global brands



Doubling each year after launch

- “Healthier Sugar” which is completely natural with 50% less calories than regular sugar
- Potential to be the next sizeable brand in sweeteners portfolio



Growing Faster than Market

- Growing faster than overall facial cleansing category
- Scrub Volume market share from 34.8% in 2018 to 41.9%*
- New launches in previous years – Body lotions and Aloe Gel



A Leader getting stronger

- Market leading brand with heritage of over 65 years
- Strengthening leadership with Volume market share from 29.6% in 2018 to 37.7%*



Building ‘Dairy + Spread’ portfolio

- Leveraged milk sourcing to expand dairy segment with Doodhshakti Ghee in retail and institutional channels and Pro-biotic Butter

* As per MAT June 2023 Nielsen report

** Trade mark dispute for the brand Sugarlite is ongoing. The Company is contesting the same in the honorable Supreme court

Continuing to strengthen brand leadership

Category	Glucose Powder	HFD	Sugar substitute	Blended Sugar	Prickly heat powder	*Facial cleansing	Scrub	Peel-off	Fat spread	Dairy
Mkt. Rank	1	5	1	NA	1	5	1	1	1#	NA
Mkt. Share %	59.9	4.5	96.2	NA	35.5	6.2	42.4	78.7	NA	NA
MS change YoY (in bps)	↓ -57	↓ -31	↑ +67	NA	↑ +117	↓ -48	↑ +42	↑ +19	NA	NA

Market share source: MAT June 2023 report as per Nielsen and IQVIA.

*Everyuth market rank 5 is at Total Facial cleansing segment which includes Face wash, Scrub, Peel-off, face masks

Market rank as per company estimate

Quarterly brand performance



Supporting brand with activations and communication

- ❖ Quarterly volume oftakes growing faster than the category for the brand and the brands volume market share has progressively improved
- ❖ Continuous support by 360-degree campaigns highlighting highest protein, “Pack Palto, Farak Dekho” across all mediums
- ❖ Market share stood at 4.5%* in the Health Food Drink (HFD) category



Strengthened “Energy” credential with new launches

- ❖ Unseasonal rains across country during summer season impacted the brand sales for the quarter
- ❖ New campaign launched for drive relevance, “Thakaan Gone, Energy On”
- ❖ Brand continues to **maintains its number 1 position** with a value market share of 59.9%*, -57bps YoY* in the Glucose powder category (against the base of highest market share in 5 years)





Growing faster than the market

- ❖ Differentiated brand in the skin care space, uniquely positioned to meet facial cleansing needs of younger audience
- ❖ Demonstrated a sustainable growth momentum over the years driven by superior product experience
- ❖ Scrub continues to maintain its leadership position with market share of 42.4 percent, +42bps YoY* in the facial scrub category
- ❖ Peel off has maintained its number one position with a market share of 78.7%*, +19bps YoY* in the Peel off category



Summers driving the growth

- ❖ Despite intensive competitive scenario building around the brand, the brand registered strong growth ahead of the category during the season
- ❖ Supported by media campaigns for talc and body mist
- ❖ Maintained its number one position with a market share of 35.5%*, +117bps YoY* in the Prickly heat powder category



Quarterly brand performance



Strong growth across the range of products

- ❖ The brand renovation with a wider portfolio segment around dairy and non-dairy, supported by focused B2B and B2C teams continued to deliver strong growth for quarter
- ❖ Continued to support the brand with print and digital media for dairy portfolio under umbrella of Nutralite Doodhshakti



Offtake turnaround continues to get stronger

- ❖ **Sweeteners portfolio** witnessed a mid single digit offtake growth during the quarter
- ❖ Focus to shift more towards Sucralose and Stevia based variants
- ❖ Launched new communication 'Katrina's Fitness wali chai', motivating consumers towards embracing healthier lifestyle
- ❖ Sugar Free has maintained its number one position with a market share of 96.2%*



*Market share source: MAT June 2023 report of IQVIA

Strong momentum in International business continues..



- ❖ Sugar Free franchise and Complan constituting ~ 90% of the overall business
- ❖ Significant growth for the quarter led by Bangladesh subsidiary being operationalized and continued demand in key markets
- ❖ Top 5 markets constitute ~80% of the business

Targeting 8-10% of revenues in next 4 to 5 years

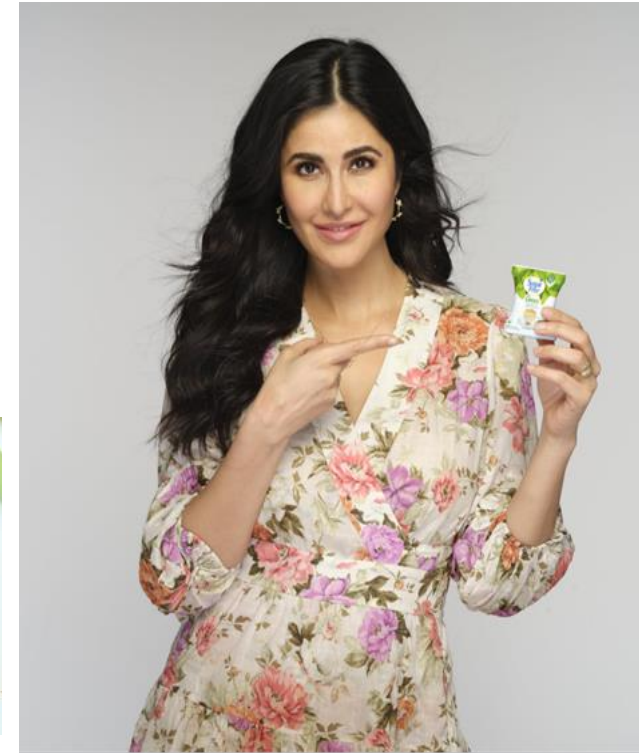




'Sugar Free Sundays' with Sanjeev Kapoor!



Driving consumption of Sugar Free Green "Chhota sa Change"



Campaigns during the quarter (2/3)



New campaign launched – “Thakaan Gone, Energy On”



LOVE MANGO? YOU WILL LOVE OUR NEW MANGO BLAST TVC TOO.

GLUCON-D MANGO BLAST TVC NOW ON AIR.

THAKAAN GONE. ENERGY ON.

GOING LIVE TODAY
GRPS - 650+
SPOTS - 13,100+
WOA - 5



Driving daily nutrition need



Campaigns during the quarter (3/3)



Strong digital presence and Influencer recipe videos



Campaigns of Nycil Talc and Body Mist



The Road Ahead

Zy⁺us
Wellness

Three Pillars to drive growth – staying on course



Accelerate Growth of Core Brands

Innovations to focus on portfolio diversification and expansion with an aim to recruit new customer

Differentiated propositions supported by strong GTM



Build International Presence

Build scale in international business by focusing on SAARC, MEA and SEA and suitable innovations to grow them further

Enter new markets with relevant offering



Significantly Grow Scale

Open to bolt-on acquisitions at the right time

Growing the customer base with increased penetration

The building blocks

Category Building

- Volume led focus
- Recruit new consumers
- Innovation to contemporize/
differentiate the offerings
- Build online-first portfolio



Leading Route to Market

- Plan to enhance distribution infra
and direct coverage over next 3
years
- Invest in capabilities; for
converging Offline & Online trade
- Engage shoppers at multiple
touch points



Digital backbone to decision making

- Digitizing the whole value chain –
Sourcing to fulfillment
- In next phase work with
downstream and upstream
partners for data sharing
- Build capability around predictive
analysis



Inorganic play for gap filling

- Proactively look for Bolt-on
acquisitions
- Focus on international
opportunities in top
geographies of interest





Organized Trade

- Channel mix shift towards MT+Ecom from 17.5% (FY22) to 21.1% (Q1 FY24)
- E-com continuing good growth, contributing to 8% of sales in Q1 FY24 (vs 6.0 % same period prev. year)
- Leverage changing shopper behaviour by investing in building stronger presence and efficient spends on visibility and Promotions



Traditional Trade

- Direct reach ~6 lakhs stores expansion across sub channels, plan to take it to ~7 lakhs in FY 24
- Plan to take overall availability of our products from current 2.5 million stores to 3 million as reported by Nielsen
- Rural distribution continues to be opportunity for growth. Currently contributes to 50% of total stores present



Building future ready capabilities in S&D

- Implementation underway for dashboarding of key KPI's as enablers for real time decision making
- Digitization till last mile sales
- Reduced cost to serve through distributor disintermediation in organized trade

Appendix

Zy⁺us
Wellness

Financial Summary – Quarterly P&L

INR Million	Q1 FY24	Q1 FY23	YoY Gr. %
Net Sales	6,992	6,930	0.9%
Total Operating Income	7,021	6,968	0.8%
Gross Contribution	3,691	3,782	-2.4%
<i>Gross Contribution Margin-(% of net sales)</i>	<i>52.4%</i>	<i>54.0%</i>	
HR Cost	473	451	4.9%
Advertisement Expenses	1044	962	8.5%
Other Expenses	1009	888	13.6%
EBITDA	1,165	1,481	-21.3%
<i>EBITDA Margin</i>	<i>16.6%</i>	<i>21.3%</i>	
PBT	1,076	1,399	-23.1%
Exceptional items	142	29	389.7%
PBT (after Exceptional items)	934	1,370	-31.8%
PAT	1,104	1,370	-19.4%
<i>PAT Margin</i>	<i>15.7%</i>	<i>19.7%</i>	
Adjusted PAT	1,246	1,399	-10.9%
<i>Adjusted PAT Margin</i>	<i>17.7%</i>	<i>20.1%</i>	

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