August 9, 2023

Listing Department **Code:** ***531 335***
BSE LIMITED
P. J. Towers, Dalal Street,
Mumbai–400 001

Listing Department **Code:** ***ZYDUSWELL***
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, C/1, Block G,
Bandra Kurla Complex,
Bandra (E),
Mumbai–400 051

Re: **Transcript of the Earnings Conference call held on August 3, 2023**

Dear Sir / Madam,

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached Transcript of the Company's Q1 FY2024 Earnings Conference call held at 3:30 p.m. (IST) on Thursday, August 3, 2023.

Please find the same in order.

Thanking you,

Yours faithfully,
For, **ZYDUS WELLNESS LIMITED**

NANDISH PRADIP JOSHI Digitally signed by NANDISH PRADIP JOSHI Date: 2023.08.09 11:29:23 +05'30'

NANDISH P. JOSHI
COMPANY SECRETARY

Encl.: As above

"Zydus Wellness Limited

Q1 FY '24 Earnings Conference Call"

August 03, 2023

MANAGEMENT:	**DR. SHARVIL PATEL – CHAIRMAN – ZYDUS WELLNESS LIMITED** **MR. TARUN ARORA – CHIEF EXECUTIVE OFFICER – ZYDUS WELLNESS LIMITED** **MR. GANESH NAYAK – DIRECTOR – ZYDUS WELLNESS LIMITED** **MR. UMESH PARIKH – CHIEF FINANCIAL OFFICER – ZYDUS WELLNESS LIMITED**
MODERATOR:	**MR. KARAN BHUWANIA – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Zydus Wellness Q1 FY '24 Earnings Conference Call, hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhuwania from ICICI Securities. Thank you, and over to you, sir.

Karan Bhuwania: Thank you. Good afternoon, everyone. It's our pleasure at ICICI to host Q1 FY '24 results conference call for Zydus Wellness Limited. From the management, we have today, Dr. Sharvil Patel, Chairman of the Company, Mr. Tarun Arora, CEO, Mr. Ganesh Nayak, Director, and Mr. Umesh Parikh, CFO.

I now hand over the call to the management for their opening remarks forth which we can open for the Q&A. Thank you.

Tarun Arora: Good afternoon, and welcome to the post results teleconference of Zydus Wellness Limited for quarter 1 financial year 2023-'24. We have with us, Dr. Sharvil Patel, Chairman, Mr. Ganesh Nayak, Director, and Mr. Umesh Parikh, CFO.

On the onset of the first quarter of the financial year 2023-'24, the business has started with a mixed bag. On the revenue front, while the net sales growth is about 1%, the portfolio without Glucon-D has witnessed closer to double-digit growth, supported by volume growth of 4.5%.

Similarly, as explained in the last quarter, we continue to see improvement in gross margins for our non-milk based portfolio in excess of 100 basis points over the same period last year. We are taking appropriate price increases to address the milk inflation in the coming quarters.

The country witnessed erratic weather patterns with unseasonal rains across various states, sales of our key summer season brand, Glucon-D, which contributes a significant proportion of overall sales in quarter 1 is also impacted due to the same.

Let me take you through the highlights of the consolidated financial performance of quarter 1 financial year 2023-'24. During the first quarter of financial year 2023-'24, our net sales grew by 0.9% to INR6,992 million. Our total income from operations grew by 0.8% to INR7,021 million. EBITDA de-grew by 21.3% year-on-year to INR1,165 million. Other expenses grew by 13.6% on account of high cost of alternative fuel and statutory wage rate increase, which continue to impact our overall manufacturing cost.

The company has incurred onetime expenditure of INR142 million towards onetime settlement with workers, legal charges and provision for inventory write-offs. Savings on account of cessation of Sitarganj plant is partially captured in our HR costs and remaining balancing the steep increase in wage costs and alternative fuel costs in other plants.

Reported net profit was down by 19.4% year-on-year at INR1,104 million. Adjusting for exceptional items, the net profit was down by 10.9% year-on-year at INR1,246 million.

With that, let me share some of the highlights of the operations for the quarter, which will also cover the category growth, market share numbers as per MAT June '23 report of Nielsen and IQVIA. We continued our thrust on marketing initiatives to grow categories and increase market share of our brands during the quarter. To narrate a few. On the Glucon-D front, unseasonal rains across various key states of country coupled with Cyclone Biparjoy during the key summer season has impacted category sales during the quarter.

Further to boost trials for the new launches, we launched new campaigns of Glucon-D sachets and Glucon-D Mango Blast variant, which are our new offerings for the season. The glucose powder category has degrown by 3% at MAT well. Glucon-D brand continues to maintain its number one position with a market share of 59.9%, which is a decrease of 57 basis points over the same period last year.

On the Complan front, in response to competitive actions of aggressive LUPs and price reductions, we had revised the pack price architecture for Complan in last financial year. This was focused on reviving volume growth for the brand. Complan has registered a growth of 12% in terms of number of household usage at MAT level, which has collaborated with growing volume uptakes for the brand.

The health food drinks category has registered a growth of 2% at MAT level. Complan market share stood at 4.5%. On sweetners brand, Sugar Free brand has continued the uptake growth momentum in quarter 1 on a year-on-year basis. A new communication that focuses on motivating consumers towards embracing healthier lifestyle with small chains was launched in quarter 2, the approach is embodied in our thematic expression of Katrina's Fitness wali chai, a concept designed to demonstrate a small change of adopting fitness into ones daily routine. The brand continues to maintain its leadership with a market share of 96.2%.

On the personal care front, the face scrub category has registered a growth of 6.5% at MAT level. Everyuth scrub continues to maintain its leadership position with a market share of 42.4%, which is an increase of 42 basis points over the same period last year.

The Peel-Off category has registered a de-growth of 0.3% at MAT level. Everyuth peel-off has maintained its number one position with a market share of 78.7%, which is an increase of 19 basis points over the same period last year.

Nycil brand registered strong growth for the quarter backed by support through media campaigns for talc and body mist. The prickly heat category -- powder category has degrown by 4.5% at MAT level. Nycil has maintained its number one position with a market share of 35.5%, which is an increase of 117 basis points over the same period last year.

On the dairy and spreads category front Nutralite brand has delivered yet another strong set of numbers, thereby registering robust growth for the quarter. The company is focused on volume led growth, which will further be accelerated by innovations in the coming quarters, with

Bangladesh subsidiary becoming operational during the quarter, the company aspires to strengthen its international presence. The company also plans to take forward its digital journey by implementing data analytics and warehouse management systems.

Thank you, and we will now start the Q&A session. Over to the coordinator for the Q&A.

Moderator: Thank you. The first question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy: I've got three questions. My first question is on the prickly heat powder category. Nycil has seen good market share gain. Here my question is your key competitor acquired a brand a few quarters back and now they have become on a combined basis, a number one player. Again, that -- the market share gain is a good performance. I wanted to understand how the industry dynamics has changed, what are you doing different? And the 17 bps is a good market share improvement. Is it also correlating with the growth you have seen in the past few quarters because many times we see market share gives a different trend and actual performance could be a bit different?

Tarun Arora: Thanks, Abneesh. On Nycil, I think we have a very strong brand. It is the number one cooling space, and we continue to drive the brand on fundamentals. We believe the latent equity of this brand is much more, and that's really what we've focused ourselves. We continue to communicate to consumers the benefits which are unique to it for a family consumption and continue to drive on execution on ground through distribution expansion. I think these have really been giving us the results and that's really what it is. And I think the gain in the market share also reflects our internal performance as well.

Abneesh Roy: But my question was your key competitor has now become, on a combined basis, bigger than you. Is that impacting any way your ability to really keep maintaining the number one brand -- on an overall basis, they are bigger, but you are still on a brand basis, your still the number one. I wanted to understand industry dynamics any change?

Tarun Arora: I have not seen any changes. I think, we are focused on gaining new consumers, and that's really where I see the advantage coming to us that we are being able to continue to focus on gaining consumers, and that's what we are getting. I think from a competitive point of view, I think each of the brands are trying their bid in terms of market share. But at our ground, I don't see any significant dynamic shift.

Management: And these are not the wholesale -- I mean these are not brands which -- I mean these are real brands. These are not replacement products. So I don't think you can combine two brands and say, become number one like that because each brand has its own capability and own customer set. So you don't replace just because -- you don't combine brands like that. Otherwise, you combine categories also.

Abneesh Roy: My second question is on HFD. So you mentioned the aggressive behavior by the large player last year due to the overall pricing architecture went for a change, there was the LUP being introduced by the market leader. So from there on, the milk, which is the key raw material has seen massive inflation. So now where do we stand in terms of price hike in the last one year in your HFD portfolio? And what would be the plan going ahead because now it seems that milk prices are stabilizing. So would you still look at a price hike given that now the raw material is stabilizing. And what is the way forward? Because here again, you have lost market share at a very small market share, you have lost market share. So I wanted to understand what is the way forward here?

Tarun Arora: So I think there are three, four things that matters in this whole portfolio. I think the action by the leader is about 1.5 years, 2 years back, which has disrupted the market and where possible an intention to grow the market and go deeper. We had less than fair participation in certain segments like sachets, etc., which we've corrected. It's still very small, but we have a better participation and we also have a price point play through pouches, which we are participating in. Having said this, I think we are seeing good gains in terms of new households acquisition, which is a critical benchmark for our brand, and that's why we mentioned 12% gain in households and a volume share shift, which we are seeing on the brand.

I think going forward, we are looking, as the milk prices are stable, we are seeing a good buildup of the brand and the market share loss that you may attribute is more about not participating in a certain price segments, which we have less than fair participation. On a stable level, I think some of the key states and key markets and key packs, we continue to hold the consumer base that we have held. So I think there is a structural shift that was introduced, which we have addressed and we should be able to build it going forward. Milk price is stable is a good news. We are taking price increases, calibrated price increases, which will help us recover the EBITDA margins that we have commitment towards.

Abneesh Roy: One last follow-up there. So when you say 12% increase or gain in number of households, but then when I see market share has come down by 31 bps, also the entire industry growth rate in HFD is not something which is very great in terms of volumes. So what does the 12% gain in household mean when your market share is reduced? Where is the definite?

Tarun Arora: So I think we -- for us, there are two or three things that matter. I think the inflation, because these are relatively higher priced categories. There was a point in time when this category was much smaller, and there were consumers who will, despite inflation buy the same quantity. There is possible reduction in per household usage, but we acquire more consumers and that's, I think, are very critical for us. We're also seeing a volume share gain, which I think will translate into value share gain that you are attributing us to. And that is...

Moderator: Sorry to interrupt, sir. We have lost the audio.

Tarun Arora: Did he get what I said?

Moderator: I'm not sure, we lost the audio from your line for the last few seconds.

Tarun Arora: Okay. So I'll just repeat, I think the critical part is that we have to gain new consumers, which we are. In a hyperinflation situation, there may have been a reduction assumption, which is why there's a difference in the household category growth and the value numbers.

We have, in last few quarters, seen a volume market share recovery and value will start also reflecting sooner or later as things get more normalized.

Moderator: Thank you. The next question is from the line of Tejash Shah from Avandus Spark. Please go ahead.

Tejash Shah: Sir, first question if you -- I logged in a bit late, but what would be the volume and price mix breakup for the quarter?

Tarun Arora: So total level, we'll have a negative about 5.2%, but if you were to reduce Glucon-D, which is an exceptional season for us, without that, we would have about 4.5% increase in volume growth.

Tejash Shah: Second question was on HFD extension of the previous participant's question also. That even leader indicated degrowth in the category in this quarter. Now with all the interventions and marketing efforts that leader would have made along with obviously participants like you also in the category. And when we look at it in perspective of very low penetration of the category, which was the base argument for somebody to bring in money into this category. Why this category has not responded at all in the last four, five years in terms of growth?

Tarun Arora: So while this is a larger strategic question, I think there are two or three things that I could think quickly talk for this want of time. One, I think there have been nutrition now has two, three parts. One, there are segmented consumptions, and we have seen adult consumption going up while the kids consumption, people have alternatives, which could be in terms of cereals, which could be in terms of juice and other nutritional items and daily food product also consumers are more conscious of other nutrition. So that's one.

The other thing -- factor that I think which has hurt brands like us, which have a premium to others and have largely a main pack plays significant inflation puts pressure on the marginal households, which impact the category. So those are factors, which I'm seeing. I think the second one is temporary in nature where the inflation settles down. The structural one we'll have to provide a better reason for consumers to continue to use this category versus other alternatives they will have for total nutrition or specifically on nutrition point, which is why we are focused on building superior nutrition and clinical-based claims. But a larger thing...

Dr. Sharvil Patel: I think also this whole -- the lower price point architecture that got introduced, I think, has a detrimental effect on the overall category. So maybe short term, it looked very good, but it has destroyed the whole pricing architecture.

Tejash Shah: And in value terms, I can understand, but even on volume terms, you believe that it has kind of made the category less appealing to the consumers?

Dr. Sharvil Patel: I think you have to give the right proposition when it -- and a relevant proposition to the consumer. So I think with better claims on product, which we believe we'll be able to -- which we have and which we'll be able to show, I think that is going to matter as we go forward. And obviously, adjacencies in terms of age groups and extensions that one can look at in terms of growth. That is obviously going to be also very critical as to how do we move forward from this.

So I think in the last quarter, as Tarun said, we have seen a good uptick in terms of volume in certain states, which are pretty critical for us, so we hope we are on the path of recovery after this last couple of four quarters, five quarters.

Tejash Shah: And next question is on this WHO's assessment, which there is a lot of controversy around that whether aspartame is carcinogenic or not. And you have also kind of mentioned it in your PPT. So any early reaction from consumer, whether they have -- like have you lost any consumer base because of this speculation or you believe that consumers have kind of taken it in stride, like most of the allegations which we have seen in the past also in some of the categories. So just wanted to understand early reaction of consumers that you would have picked up.

Dr. Sharvil Patel: I think one is on the consumer reaction. I think we just have to wait. We haven't seen any drastic differences. But again I have yet to wait and see what impact some of this have. I think one thing we have to understand that it has been a very selective way of dissemination of information that has happened that has come out from the WHO or not from the WHO but how it has been reported.

So I think we have to work very hard to make sure this is correct and the right perception about what has been written. The category that it falls in and the daily requirement and dosing of the daily intake that is allowed is significantly below any consumption levels that exist today here. I think we have to do a lot of education, which is the effort that we have to put to the consumer in any form possible and also make sure that the right information is disseminated and not selective information. But whether we have -- we will have some impact we have to wait and see. It's still a little too early to know whether what kind of an impact this could have.

Tejash Shah: And the last one on margin. So finally, almost after 2 years, 2.5 years, we are seeing some early signs of inflation kind of cooling off. So let's assume hypothetically as the year progresses, we have this tailwind, which we have seen right now continues. Would you have kind of a flexibility to let it flow to the margins? Or you believe that business and the current demand environment will require a lot of investment to kind of not allow that to happen in the near future?

Dr. Sharvil Patel: I think Tarun can take it, but I think end of the day, we have to make sure that we improve our profitability. So I think with this deflation in commodities other than milk related portfolio, we have seen an improvement in our gross margins. And definitely, with the right product mix, if we are able to maintain, we should see that come down through into the operating leverage.

Now obviously, it's a question of making sure that we have the right product mix that we are able to sell. And there has been a lull in the market right now. So we have to wait and see how the next few months go on in terms of the demand generation. But otherwise, I think other than milk I think we have sufficient -- more than sufficiently covered our gaps.

Tejash Shah: But any guidance would you like to give for two years, three years that we are here what parameters, maybe you want to see the margins down.

Tarun Arora: For sure, like we've said, last time also, we believe that in the next two years to three years, we should be looking at recovering back to 17% to 18% because we dropped down to 15%, we should be looking at two years to three years back to 18 before we get down to further beyond. Because we have to invest back also.

Moderator: Thank you. The next question is from the line of Madhur from Counter Cyclical PMS. Please go ahead.

Madhur Rathi: I have two questions. One is when will our revenue start growing? And with the increases online and MT proportion, is there -- will margins decrease and working capital increase structurally. Thank you.

Tarun Arora: I think it's a good question, and that's most important for us is to get revenue growth. And I think there are things that -- beyond our control, but we do believe that we have the right mix for growth. And that's why we have isolated the growth factor where on a seasonal part, which did pull us down. Otherwise, we do believe we have all the right mixes to get growth and we should continue to see growth coming back. As far as working capital…

Umesh Parikh: Yes. Sure. So as we said earlier also, we hope to see the improvement in the working capital cycle by 10 days to 13 days as reported last year from whatever we put it last year.

Tarun Arora: We are protecting our margins for across channels purposes. So that it should not impact. I think you also asked that will the growth and all in organized trade rate impact our margins. I think we are reasonably protected on that.

Tarun Arora: It may impact working capital, which we are balancing and margins will be fair. Next question?

Moderator: Thank you. The next question is from the line of Alok Shah from Ambit Capital. Please go ahead.

Alok Shah: My first question is that while you mentioned the erratic weather impacting the sales of Glucon-D? And number two Umesh's presentation mentioned the same. I was just wondering, why would that not impact the sale of Nycil also? Or was that impact quite too Glucon-D side?

Tarun Arora: I think there are two factors that play out. One, I think Glucon-D has even a shorter cycle than Nycil and the timing of that cycle, which is more April, May. Secondly, Nycil because of prickly heat has linkage to both perspiration. And therefore, the humidity plays also to the advantage of Nycil.

Moderator: Ladies and gentlemen, thank you for patiently holding. We now have the lines of the management reconnected. Over to you, sir. Mr. Shah.

Tarun Arora: So Alok, should I repeat? Or were you able to get before the call got disconnected?

Alok Shah: No, I got it because of the longer seasonality because the summer does humidity related issue, which has Nycil. Got it. Got it. Second point was with respect to performance of Nutralite, which has been pressing in fairly well. So just wanted to check how would the performance within that of the new launches choco spread new etcetera would be doing? And would it have gained sizable share? Or it's the base Nutralite which is still sort of growing at a fast lane?

Tarun Arora: What is doing well in Nutralite is the base for sure has continued to do well. The dairy portfolio has done well, the butter and ghee. Within the new launches, on the spread side, I think chocolate spread is much lower than our expectation. So we have to see what we want to do with it. Mayonnaise, I think, we have covered a certain mass. I think there is potential to do more for which we are doing some work, which will help us get right as we build forward on that.

Alok Shah: And my last bit was on the marketing spend. So ATL plus BTL put together, now that the margins will potentially start to look much better, except for the milk, most of the commodities should be gradually benign. How are we thinking in terms of overall spends towards pushing the product as the communication with the consumer. So is there a scope to increase any spend over there, which can help in terms of the growth? That's it from my side.

Tarun Arora: Alok, it's a fair question and we are titrating it because we would want to balance and ensure as the gross margin goes up, we are able to spend on it, but we are doing a calibrated calls on that quarter-to-quarter because like, we explained, our gross margins have gone up for the non-milk but at an overall portfolio, once it starts going up, we will be more confident on pushing certain investments up.

Tarun Arora: And I think for the next six months to eight months, six months, at least, I think Sugar Free and Everyuth will -- we will think properly in terms of how do we spend for that to grow because those are important brands for us and have done well. So we need to make sure that we do the right investments in those. The others will be more measured in terms of how do we invest depending on the uptake and demand.

Alok Shah: Just to confirm you said Sugar Free and Everyuth. Did I pick up rightly?

Tarun Arora: Yes.

Moderator: Thank you. The next question is from the line of Kinjal Mota from Banyan Tree Advisors Private Limited. Please go ahead.

Kinjal Mota: I have a couple of questions. My first question is in the context of skincare, particularly in the realm of facial care, the face wash market is witnessing growth. However, the market for peel-off and scrub product does not seem to be experiencing similar growth trends. So what are the challenges currently impacting the growth of peel-off and scrub products in the market overall?

Tarun Arora: So I think peel-off market has a linkage more to the occasions of consumption, which is largely festivities or wedding season. And therefore there is swing that happens in between. Otherwise, we've seen in last one year a good offtake. Similarly, scrubs has also been considerably good uptakes and we have been building our market share.

The only thing is that Nielsen numbers that we quote, are the best estimates we have for the category. But our belief is that it will continue to grow and grow well. Also, some of the growth which Nielsen does not capture happen also online sales. Unfortunately, despite our request to Nielsen, we have not been able to capture it as a full picture of the category. But we do see scrubs and peel-off will continue to be large potential opportunities for the category growth.

Tarun Arora: And at least for us, until year-to-date they have contributed well.

Kinjal Mota: My second question is, has the introduction of products like Sugarlite, which competes with your existing product that is Sugar Free resulted in any cannibalizations?

Tarun Arora: No. Actually, Sugarlite is positioned more as a sugar and therefore, we have not seen any level of cannibalization.

Kinjal Mota: And under what duration does the tax benefit which is currently arising out of MAT credit and accumulated losses remain accessible?

Umesh Parikh: Typically, until March '25. Up till March '25 we will have a normal tax rate.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Sir, my question is on the sugar free category as a whole, this quarter, again, we have seen mid-single-digit growth. And it has indicated that because of the issues related to assess term, you have not seen any kind of an impact...

Management: Sorry Kaustubh, there is a lot of disturbance in the line. Not able to hear clearly.

Kaustubh Pawaskar: So my question is on Sugar Free category as whole. So this quarter also we have seen mid-single-digit kind of a category. And you have alluded to the point that you are not seeing any impact of the issues related to aspartame. So I just wanted to understand where are we losing? Because earlier we used to see that this category used to grow in good double digits and we are the market leader and we used to gain because of that. So what is issue related to the category, why we are seeing growth in single digits? And when can we expect growth to come back to double digit for Sugar Free?

Dr. Sharvil Patel: So I will just take one question. The effect of what has happened. We have to still wait and see. As I said, it's too early for us to comment on what could be the impact of the current news that was there. As I said, we wouldn't be able to do to make sure we give the right correct information for the consumers to make the right choices. But as I said so we have to still wait and see whether the impact takes longer, it doesn't happen so suddenly. But so far, we are focused with regards to how to grow the category and areas that you are talking maybe Tarun can say

Tarun Arora: So overall, the consumers talk about a couple of reasons due to which is the reason for lower adoption of this segment is -- or this business is, one is the relevance because somehow a large portion of impressions or positioning has been that it is more suitable for diabetics and therefore, we've had a large amount of effort, both for diabetics as well as non-diabetics to adopt. So that's one effort that we make consistently.

Second is it's not related to just this episode of WHO announcing certain things. There has been a lot of negative publicity about this segment over the years on various online spaces, which creates a certain amount of concern on people, which holds people back sometimes. So we are addressing both these parts consistently. It has impacted and created headwinds for the segment. And then I think we should be able to address.

In particular, we've seen when we look at our Stevia-based products which is natural and is positioned. So we've seen high double-digit growth and a much faster adoption. The challenge is how do we make people shift even harder is something we are working on and we should be able to do. There is obviously the third element, which is price also which comes through. But we believe with the right positioning and the right continued effort, we should get -- improve our adoption.

There is the last piece, which I could add which could be linked to, leveraging this brand to get into other food spaces, some of the experiments we have done, pilots we have done on chocolates and online space. I think we still have our work to do and we'll also explore some of those things over the next couple of years. But that's where we are in terms of our effort to grow this back.

Kaustubh Pawaskar: So the related question to the same. As you said that Stevia is doing good for you. And in the presentation also, there is a mention that you will be launching more products under the Sucralose and Stevia, which is a subsegment under the Sugar Free so is it to create a right portfolio for you so that -- on which you can leverage and see a better growth going ahead?

Tarun Arora: Yes, we are looking at launching more products under the Sugar Free, like I said, on leveraging and also drive consumers to overcome the perception challenge, which may be existing with aspartame but to focus more on Sucralose and Stevia. That's largely what we want to do, as I explained.

Moderator: Thank you. The next question is from the line of Ajay Thakur from Anand Rathi Securities. Please go ahead.

Ajay Thakur: So I wanted to understand first on the Glucon-D. I understand that the category actually had faced the headwinds. But can you just also throw some light in terms of color on which regions actually have got more impacted because if I were to look at it, the category volume decline has only been 3%. And if I were to do some bit of math, I believe our volume decline would be maybe slightly higher than that. So just trying to understand that part of you -- the kind of move on this...

Tarun Arora: So I think if I were to give you a sense of it, I think while we report quarter-to-quarter numbers, a substantial portion of our business gets done over two quarters, quarter 4 and quarter 1. At quarter 4 plus quarter 1, I think our growth rates are higher than the category growth. Though I can also tell you, regions which have done well are largely East and South where the rain impact was relatively less, and we have got a better response. And therefore, the season was more supportive. North and West are more impacted. But at the overall level, we have done our internal growth rates are better than this.

Dr. Sharvil Patel: I think this quarter was highly skewed in terms of RoCE but first half, if you look at it, we did better than the category.

Ajay Thakur: Secondly, I also wanted to understand a bit more on the growth momentum. So if I were to put it, first, we are still targeting around 18%, I understand 18% kind of EBITDA margin for FY '24 possibly. I think we are hoping for that. But if I were to look at the next two quarters, obviously, we have much lower margin because of the seasonality factor and our portfolio mix. So are you kind of hoping that we would be able to kind of at least reach within that kind of a limit? Or you believe it will be kind of difficult with the current either the raw material trends or given the fact that the mix of how the our performance has been in Q1?

Tarun Arora: So our focus remains our gross margins and EBITDA margins for each quarter. Structurally, the next two quarters are lower because the fixed costs remain very similar around the year, but the operating gross margins and therefore, the EBITDA margins drop because of the mix and the fixed costs. And therefore, it works in that reverse way there will be leveraging of the operating leverage working in opposite directions. So I would say, we are still focused to continue to get better growth over last year, over next two quarters. But obviously, and that's how it will be, that's how it structurally is.

Ajay Thakur: And sir, lastly, just to understand, we have been doing almost like, double-digit kind of revenue growth. And we still have 5%, 6%, I believe, in terms of the price, which is here. But then currently, you have given the high base of Q1, can we still be looking at a double-digit kind of revenue growth momentum or just because of this Q1 kind of a miss, do you believe we would be looking at something like a more like a high-single-digit kind of growth for the FY '24?

Tarun Arora: I'm not sure of the forward-looking things, but I think we still have a shot at it. We still have three quarters to go and a large quarter 4 also. So I'm hopeful that we should be able to pull that through, but we'll have to play it as it goes.

Moderator: Thank you. The next question is from the line of Mayur Parkeria from Wealth Managers India Private Limited. Please go ahead.

Mayur Parkeria: So sir, actually, this is not necessarily a question with a negative intent but we just to understand, so because the -- at an overall company level, this is not at an individual segment level understanding number at an overall company level, do you see we being able to structurally demonstrate volume growth which can be in region of closer to double-digit or higher single digits or something like that? Or do you see that in the current product segments, categories also that we will have to do something different firstly, or do you think that we will have to acquire certain product gaps, which you have mentioned in the presentation also in terms of bolt-on acquisitions?

The reason -- the background with which I'm coming is, we have seasonality in the product baskets. And some of our products are very highly penetrated and some of that category itself is facing challenges in terms of the growth. So how do you see at the overall company level from an overall investor level this ability to deliver volume growth, which is structurally over the next three, four years, sir?

Tarun Arora: So I think, we do not have a doubt in terms of the fact that we can deliver a consistent over three years to four years, double-digit growth. Last financial year was there. We've missed because of the season. And every three years to four years, if you look at last 10 years data also, we've seen there is one-odd seasons, which go down and there is a seasonality impact or some other disruptions, but double-digit growth is absolutely a doable thing, given our portfolio. Of course, other things that we buy or if we launch will add to it, but we do believe the portfolio fits in into a double-digit growth.

Can this double-digit growth be purely volume-led? Intention, yes, but there is a certain amount of inflation which is inherent to business and will always be part of that mix. Our focus is to grow our consumer base by recruiting new consumers. And therefore, we have a single-minded focus on that. Inflation is just to work around the cost structures as well as a competitive perspective. And therefore, we're quite committed to doing that.

Mayur Parkeria: Sir, do you see this coming from any changes which we are assuming in terms of certain product categories, which will add like what you mentioned about Sugar Free, some of the extensions, or do you see that the current when you answer this? Is it based on the current product itself or some major changes which you have in built there?

Tarun Arora: So really speaking, I think if I look at last 8 quarters to 10 quarters, except for couple of brands, where we've had some challenges, and we are working on those. I think most of our brands have clearly demonstrated that, and we don't see a reason where brands over three years to four years of Glucon-D, Nycil, Everyuth, Nutralite have any challenge in demonstrating over next three years to four years or in last couple of years, any double-digit growth challenges.

Complan had a more structural level and an industry level issue, which I think we'll figure out a way to come out of and we'll launch extension and work around. Sugar Free has also seen single-digit growth. We are working on how to pull that forward. But as an overall portfolio, I don't have a reason any believe there is a challenge at a business level. And therefore, the new products will support our belief in that.

Mayur Parkeria: Sir, last one, very small question on the bookkeeping side. Will you be in a position to just give us some qualitative understanding how much Everyuth would be at a category level at the overall annual sales business?

Tarun Arora: We’ve already given at the overall level between Nycil and Everyuth but individual breakups, we are not giving.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for their closing comments.

Management: Thank you very much, and see you in the next quarter. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.