"Zydus Wellness Limited Q4 FY20 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Zydus Wellness Limited Q4 FY20 Earnings Conference Call. 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 the call, please signal the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tarun Arora – CEO of Zydus Wellness Limited. Thank you and over to you sir.

Tarun Arora: Good afternoon and welcome to the post results teleconference of Zydus Wellness Limited for quarter 4 financial year 2019-20. We have with us Dr. Sharvil Patel – Chairman; Mr. Ganesh Nayak – Director; Mr. Umesh Parikh – CFO and Mr. Vishal Gor – Senior Vice President, Corporate Finance at Cadila Healthcare Limited.

The financial year was a first full year of transformation of the company as we completed end-to-end integration under various areas which had been planned post acquisition of Heinz India Private Limited. We are happy to inform that the progress of integration has been quite satisfactory. As we were approaching the end of this financial year, the current quarter was looking good in terms of steady demand till mid-March 2020. The spread of the COVID-19 virus and the eventual lockdown resulted in disruption in supply chain and virtually no sales in the later part of March 2020. It has impacted our sales performance in the last quarter. Our operations were completely shut down during initial few days of the lockdown; however, subsequently we could quickly get the required approvals for restarting our manufacturing plants and operating our C&F warehouses.

Majority of the distributors could also get permissions from local authorities to open their building space, though essentially the entire economy phase started to have labor and transportation facility. Progressively, government support for the movement of essential commodities helps resolve the transportation issues to some extent. With the extent of measures like social distancing, thermal scanning, sanitization of all locations and labor force, we noticed remarkable improvement in presence of workforce in the manufacturing plants at the CFA locations and the distributor's business place. With ensuring necessary safety precautions to be taken, majority of last mile field force and frontline staff have also come forward and supported the business.

Our reported total income from operations on a consolidated basis grew by 17.2% to Rs. 4,878 million during the fourth quarter of financial year 2019-20. Consolidated reported profit after tax at Rs. 691 million for the fourth quarter. Since the consolidated financial results for the first quarter of financial year 2019-20 includes operating results for part of the quarter of the acquired business, the reported results are not fully comparable with those pertaining to the previous period. During the quarter gone by, our key brands mainly Sugar Free, EverYuth Scrub and EverYuth Peel-off, Glucon-D and Nycil have been leading in their respective categories.

Let me take you through the highlights of the consolidated financial performance of quarter 4 financial year 2019-20. During the fourth quarter of financial year 2019-20, our total income from operations has increased by 17.2% year-on-year to Rs. 4,878 million. EBITDA was up by 20.9% year-on-year to Rs. 1046 million. PBT before exceptional item was up by 7.3% to Rs. 643 million. Net profit was up by 10.9% to Rs. 691 million.

Coming to the annual consolidated financial highlights, the terms adjusted income from operations like EBITDA and PBT exclude below one-off items, additional excise duty credit of Rs. 94.8 million received during the previous year. Central capital subsidy income of Rs. 22.8 million recognized during previous years. Our adjusted total income from operations increased by 112.5% year-on-year to Rs. 17,668 million during the year. Our adjusted EBITDA was up by 85.5% year-on-year to Rs. 3,211 million. EBITDA margin, there is a percentage to total income from operations stood at 18.2%. Adjusted PBT before exceptional items was down by 2.3% to Rs. 1,655 million. Adjusted net profit was down by 10% to Rs. 1,417 million. Our consolidated cash position stood at Rs. 1,928.3 million including our investments in liquid funds. Our consolidated CAPEX excluding goodwill for the year was Rs. 323.7 million.

With that, let me share some of the highlights of operations for the year gone by. We continued our thrust in marketing initiatives to grow the categories and increase market share of our brands during the year. To narrate a few, on the Glucon-D front, good summer season helps to drive Glucon-D’s growth during the year. To increase our investments on brand during the season along with mass media, the brand was supported with some competitor consumer and trade offers to win in the market. On the Complan front, we continued to invest behind the brand through media to increase relevance and salience for the brand especially in the key markets. The brand was supported by family consumer offers in partnership with Disney, Mattel and Turner.. E-commerce continues to grow strongly for the brand with newer listings and regular investment in **research** and visibility. On Sugar Free front, during the year we continued to invest behind the brand to drive relevance of the category as well as dialing up safety credentials of the brand through consistent media campaigns.

Continuing our constant endeavor to expand the sugar substitute category, we relaunched Sugar Free Green with improved formulation in new packages. The relaunch was supported with new TVC campaign in quarter 4. On the Nycil front, during the year, the brand has witnessed good growth in market share gain with sustained media presence during the summer season. The year ended for Nycil with the first ever brand extension in the phase of hand sanitizers during the month of March 20.

On the EverYuth front during the year, we continued to drive growth for EverYuth portfolio with consistent media inputs, consumer offers and on-ground promotion. EverYuth partnered with Time Fresh Face India’s largest college activation program to further drive consideration amongst the young consumers. The e-commerce channel posted a disproportionate growth for the brand.

On the Nutralite front, during the year we continued to invest in generating trials through consumer offers and various sampling activities at point of sell. On Sugarlite front, during the year we have relaunched Sugarlite with superior product formulation which addresses any question of taste being a value to adoption. We have launched its new campaign, "Sugar Badlo, Health Badlo:. The brand is tracking us for our internal milestones.

As per the MAT March 20 report of Nielsen, the glucose powder category has grown by 9.8%. Glucon-D has maintained its number one position with the market share of 59%. The MFT category has grown by 7.7%, Complan has a market share of 5.4%. The prickly heat powder category has grown by 8.3%. Nycil has maintained its number one position with a market share of 34.4% which is an increase of 230 basis points over the same period last year. The facial scrub category has grown by 6.1%. EverYuth Scrub has maintained its number one position with a market share of 32.5%. The peel-off face mask category has grown by 13.3%, EverYuth peel-off mask has maintained its number one position with a market share of 78%. We have faced with uncertainties and in the similar situation as India and FMCG industry due to current COVID-19 pandemic.

However as stated before, operations are moving towards a normalcy now and in relatively better shape compared to what we were during the last week of March 20 and major part of April 20. As some of our products like Sugar Free, Complan, Glucon-D and Nycil sanitizer are essential in nature, we have been more resilient in the coming situation. The recovery has been led by general trade and good ramp up of e-commerce. We also believe that in these challenging times, there is an opportunity to provide consumers with products which are more relevant in current times. One such example is Nycil sanitizers. We shall be rolling out two more launches in coming weeks, one under Complan and one under Glucon-D. We continued to remain positive in these testing times; however, the eventual outcome of the impact of impact of global health pandemic may be different from those estimated by us. We will closely monitor any material changes to the economic environment and their impact on the business. Thank you and we will now start the Q&A session. Over to the coordinator for the Q&A.

Moderator: Sure, thank you very much. We will now begin with the question and answer session. The first question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Hope all in Zydus team and around are keeping healthy and safe. So first question is to Tarun, sir how would you size up the lockdown period so far both from demand and supply chain perspective?

Tarun Arora: I think most of us in Zydus are safe and we hope everyone is as well. We have seen things change pretty fast and in the first 3 weeks, things had come to standstill and there was clearly a demand challenge on one side because from one side consumers were doing panic buying but there were some offers which could not be filled up in terms of consumer demand. Over a period of time, I think for some of our essential products like Sugar Free and Complan, even Nycil sanitizers, we see high level of resilience and the demand will remain stable. In fact, there are possibilities that we may see from upsides as well. From other categories, we have seen demand challenges, for example, in Nutralite which is substantial portion of the business which relies on food service in

HoReCa, we have clearly seen a demand destruction and we will have to live with it till things get better. Even our EverYuth which is personal care space and discretionary in nature has seen demand destruction over a period of time. We hope and we see things get better as we are progressing, but the loss that we saw in the demand may not be able to recover in some of these categories, so it is a mixed bag, it is a function of category but things are getting better. I think first 3 weeks were the hardest, things have progressed far better. We expect June onwards closer to normal situation for most of our categories and progressively things will get better. From route to market perspective, I think we have seen general trade has little bit more resilience. The tier 3 towns and lower has shown far more resilience. E-commerce has scaled up, they have taken time, they have scaled up better. Modern trade has got stuck because of the malls and large formats which have got stuck in this situation and has caused certain losses in terms of our reach to consumers. That is a broad thing. From a supply chain perspective, if I want to say, I think we had initial challenges when the trucks were not available, there were C&F warehouses which were stuck. I think government has worked very closely with the industry on their own side in helping open up this. Today, I can easily say that we are closer to normalcy in terms of supply chain approach.

Tejas Shah: Sir, second, online has actually become a channel of choice in this crisis, so what will be our contribution from online sales and would our market share on online be higher than GT channel?

Tarun Arora: So, we are clearly seeing a ramp up of our share of business coming from e-commerce and if I were to give you, I think we are hoping to touch 3-3.5% from the 1% that we used to do earlier at an overall basis level, but I think these are dynamic in nature, we will have to watch more closely because there is a mix of B2B and B2C. There also, B2B is also growing and how these things will shape, we will have to see. From our side, we are clear that we know this channel will grow, so we have made investments earlier on and we are ramping up both capability and capacity on this. We also believe there will be opportunities to bring some new innovations led by e-commerce because there will be consumers who are on this channel alone, so we will remain focused on that.

Tejas Shah: And sir, which all brands in the portfoliowould have gained market share this year and where we would have remained static or lost to it?

Tarun Arora: So market share gain, are you talking about last quarter?

Tejas Shah: At a MAT level, sir.

Tarun Arora: At a MAT level, we have seen Nycil gain share which I shared in my presentation as well about 230-240 basis points. Glucon-D and Complan are almost at stated level. Complan lost share initially in the first 6 months of acquisition, after that it has recovered, so we are looking at a stable level today. Glucon-D is largely stable. I think Sugar Free is largely stable. So overall I think the biggest gain has come from Nycil, most other brands are in stable state, largely in April**.**

Tejas Shah: Just wanted to know what was the core portfolio growth on Y-o-Y basis of fourth quarter?

Tarun Arora: We had a drop of about 6% points on a comparable basis for the quarter.

Moderator: Thank you. The next question is from the line of Kunal Patel from Equilligence Capital. Please go ahead.

Kunal Patel: Sir, my first question is regarding our merger, so this merger is now roughly 16-month old, so would be helpful if you can just talk about key operational challenges that we faced specially the one that we do not anticipate, also what kind of synergies we have derived so far, so overall if you can just talk about the acquired portfolio performance and how happy you are with the portfolio?

Tarun Arora: We had covered some of these also earlier and there is a detailed presentation if you look at it in February. I will therefore give you a brief answer. First, I think largely most of the things have worked on plan are better for us from a merger integration point of view. In fact, if I were to look at one challenge that bothered us in the first 6 months of launch was Complan. We struggled and lost some share in the initial 6 months which we have also recovered subsequently. Most of the factors have remained consistent. The other challenges are a little bit operational in nature where we face some challenges because of milk prices going up. In fact, our integration has moved faster than what we had originally envisaged at the time of acquisition. Most of the things that we have planned in 2 to 3-year timeframe we have been able to do in less than 12 months and therefore we believe there is a clearly cost advantage which we will gain over a period of time, some of which we mentioned over 2 to 3 years, the entire cost benefit business, the benefits we had captured was close to about 40 crores to be accrued to us over 2 to 3 years. These include benefits because of lower cost of warehousing and logistics operation. Increased distribution at sales level as well as lower cost of manpower and we have also executed our digitalization where we have integrated the entire SAP and distributor environment software, so all that has worked to our gain.

Kunal Patel: Regarding the synergies, if you can just talk about your distribution synergies, how many touch points we have in grocers and pharmacies and overall out of these 40 crores, how much of benefit can be from distribution side?

Tarun Arora: So it is a little bit more detailed question which we can take offline, but just to tell you I think we were looking at doubling our distribution which is a good mix of grocers and chemists. Chemists, I think we had a large share of chemists covered by any FMCG in the country, so we are not seeing a big ramp up of just the pharma distributers but I think at an overall level we see a bigger gain, I mean complementarity of the portfolio is what it was better and a larger direct distribution. From a total reach point of view, it may not have that much incremental benefit.

Kunal Patel: Sir, my second question is regarding your Complan ad campaign, so there was a restraining order by Delhi High Court, so can you please talk us about the issue and what are the steps we have taken to counter it?

Tarun Arora: I think it has been not fully read. We have won the case against the competitor for the brand ad. Then we decided to take it to Youtube on the audiovisual media. Now, the court has pointed out that the declaration on that communication was not sufficiently visible and that is what we have restrained to get that declaration sufficiently visible and audible so that the consumer can make out, otherwise we have been on this space for almost 2 to 2-1/2 years on the same subject and every time high court and all courts have ruled in our favor, so we will address that should be good to go.

Kunal Patel: And my last and final question sir, we have been opportunistic in launching Nycil sanitizer, so is it just an opportunistic launch in your view or what kind of traction we are seeing there or what kind of numbers we have clocked so far, also if there is any capex that you have done for that?

Tarun Arora: So first of all, I think we were looking at it and I think we have talked in earlier conversations in this forum or separately is the fact that we are looking at innovation as one of our key drivers of growth. In our work in Nycil amongst several ideas, sanitizers came as consumer validated innovation options. In terms of our views, we realize that if sanitizers had to be launched, which we are considering for 2021, this is the right time to do it. So what we have done is we have taken this opportunity to advance it, but it is clearly part of our overall Nycil strategy. It fits into the Nycil brand plan and therefore we moved fairly fast, so we are not doing it only from a tactical perspective, we intent to live with this innovation for a long period of time. The numbers are still small enough, but they are exciting. It has been more constrained by the supply, by manufacturing constraint because we moved pretty fast. We believe the numbers can ramp up as we go along and we are doing all the efforts to do that. So far there is no capex, but we intent to strengthen some packaging time but that is a very small maintenance capex equivalent cost that is not much of a cost. I think it is just a thing, so no major investments required for it.

Kunal Patel: My question is again regarding sanitizer, so is it developing in-house or R&D has come from our group company?

Tarun Arora: It is developed in-house. We have our dedicated R&D who has developed it and initially we started with third party and now we are also making it in-house.

Moderator: Thank you. The next question is from the line of Ekta Sanghvi from Vallum Capital. Please go ahead.

Ekta Sanghvi: This is Ekta. Sir, I just had a few questions. Sir, firstly the wholesale channel has been adversely affected due to this whole COVID scenario, so sir will our distribution like and you also mentioned that there have been some supply disruption, so sir how is the situation now and what is your outlook for FY21? It seems like most of Glucon-D also would be supplied through wholesale channel?

Tarun Arora: So you are talking about wholesale, right Ekta?

Ekta Sanghvi: Yes.

Tarun Arora: So wholesale was initially disrupted, but over a period of time wholesale has found its way. We find wholesale is back in action. We have also seen the organized B2B is covering up for wherever wholesale is missing, so now I would say that wholesale is reasonably back for us in most parts operational**.** And Glucon-D, yes there is a reliance on that but that is okay, I think we are able to cover it up.

Ekta Sanghvi: Also sir, is the company going to launch any health or immunity boosting product in Complan, also like some competitors are also launching more products in the immunity boosting category, so our view also going in that direction?

Tarun Arora: Yes, we are exploring and I think next few weeks we will be looking at one of the immunity boosting products. It may not be under Complan, but we will share with public**.**

Ekta Sanghvi: Also the recovery of demand is expected to be better from rural areas and urban and our portfolio is more urban focused, so how is this going to affect the business, also what is the traction of our products in these tier 2 and 3 cities since the lockdown restrictions have been lifted?

Tarun Arora: So if we really look at it, I think traction is coming from tier 2, tier 3 towns where I think our presence was equally good. So we are seeing that some of our essential products like Sugar Free, Complan, Glucon-D, even Nycil subsequently we are seeing good traction and it is running through across town classes. Of course, the tier 2, tier 3 towns has responded even better, so I think we are seeing a good recovery of demand and we have to build further on this. Rural is relatively smaller for us, but whatever it is, it is also responding well and I think the top 2-3 cities when people are at home, there are consumption of certain food categories, so I think some of the essential categories will have a good response there as well.

Ekta Sanghvi: So one last thing on the ad expenses, the ad spends for the year have decreased from 18% in FY19 to around 13% in FY20, so are we going to maintain these levels of ad spends or are we going to reduce it?

Tarun Arora: I think we will play as the things happen because right now as the sales is under pressure, we need to manage our cost, but we are continuously focused on supporting the right initiatives for better ROI and maintaining our balance between profitability and revenue. We believe we will need to invest for initiatives, for example, new launches at the right time and we will do that, so I think some of these new normal will have to be relooked at as we go along.

Dr. Sharvil Patel: But also for the short term, the ad expenses will be curtailed significantly.

Moderator: Thank you. We take the next question from the line of Ayaz Motiwala from Nivalis Partners. Please go ahead.

Ayaz Motiwala: My question is on the portfolio that you have, partly through earlier combination of your own and the Nutralite portfolio which you have acquired and then the recent new acquisition of Heinz portfolio. They are brands which are strong but are in distinct and desperate categories, so what I would like to understand sir is, in terms of your internal strengths, what are the internal strengths that Zydus brings to the table to give us some sense of confidence that you are going to be able to drive growth and your sustainability of these brands in the long term, so that is my first question?

Tarun Arora: I will give you brief answer because this is a large strategic question and we have addressed over the acquisition time and we can if you want a little bit more detail but at a large level, if they were two or three things that if I were to say why we believe we have the strength to manage the what you call as the split portfolios, I think we are focused on health wellness and personal care where we have both at the backend in terms of our capability to develop products which are leading in terms of pioneering products and therefore a strong R&D to first develop these products, comparable low cost production capability and a strong go-to-market to reach out to consumers. We also have been over the years building a strong consumer understanding in these spaces to be relevant to the right consumers and therefore the innovation and entire value chain is built for that. We can pick it up in little bit more details in a separate conversation because otherwise this can be a long agenda.

Ayaz Motiwala: And just one question on one of your bigger categories where I think there is a large opportunity but a bigger competitor has now acquired a position which is Unilever through its acquisition of GSK, do you see them actually as competitors in your market or are they going to operate differently when it was GSK and the management versus Unilever and what are the early sort of signs that you see in the market place right now like how is your preparation? Do you think that will actually enable the category to grow more faster because of the presence of two of you all as new owners of this brands?

Tarun Arora: I think it is their action, they will be able to answer better but whatever I believe if they have brought this brand at this price, their intent is to only grow the category because it is not just a market share thing which will be good for us. Our actions are focused on recovering the lost market share that we had, we have a very strong brand with very superior nutritional benefit which has not been sufficiently communicative to consumers and there were some missed steps earlier. We are focused on getting our internal actions right, connect to our consumers and communicate the superiority of our nutritional benefits to believe that would be sufficient for us to gain what we are seeking to do. If the competitor grows the category faster **than it's** everyone's advantage including us.

Moderator: Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs. Please go ahead.

Rahul Ranade: Just a data keeping question first, what would be the gross debt number as on date?

Umesh Parikh: The gross debt number is 1500 crores and the net debt number is 1350 crores as on the date of the balance sheet.

Rahul Ranade: Okay 1600 and 1300.

Umesh Parikh: 1500 and 1350.

Rahul Ranade: Okay and just wanted to understand in Sugar Free, what proportion of our sales would be kind of institutional going into say hotels or offices?

Tarun Arora: Very small, to me it is more value in getting more consumers in experiences but business dependence on it is negligible.

Rahul Ranade: It is useful in generating trials or something like that. That is the utility and just one last question, so most of the FMGC companies are kind of giving out the number in terms of the sales they would have lost due to lockdown in the last 7 odd days, what would the number be for us if you can give that?

Dr. Sharvil Patel: Around 100 crores.

Moderator: Thank you. The next question is from the line of Shirish Pardesi from Centrum. Please go ahead.

Shirish Pardesi: Sharvil, Tarun, I hope everyone is fine and healthy at Zydus, my two question is, there is a follow-up on the previous question, these 100 crores is up to what period, you are saying April and May and this is a revenue number or?

Tarun Arora: Only March. 10 days of March.

Shirish Pardesi: So would you be able to quantify what is the loss of sales for April and May?

Sharvil Patel: We cannot give you guidance of content or what we can say is April has been a struggle because our operation just started in the middle of the month and we got back to normal. May has assumed a good normalcy with and we can see growth going forward.

Shirish Pardesi: My question was more on the revenue and profit, so may be anyway I will take offline. The next question I have is basically on the HFD which is Complan, can you tell me what is the growth on Y-o-Y FY20 for Complan in terms of value and may be volume if we have?

Tarun Arora: So Complan has seen good positive recovery in the last 2 quarters. We don't give brand specific numbers but we have seen good volume led recovery because we have not taken any price increases, so our entire growth is on volume and last two quarters have seen a good positive recovery on Complan, prior two quarters were negative growth actually, Jan to June.

Shirish Pardesi: Yes, I understand but just for the sake, what is the full year growth, may be value will also do if you have?

Tarun Arora: We don't give brand wise numbers

Shirish Pardesi: My last question is on the price increases which we have been talking last quarter. I don't think there is a price increase which will happen but do you think the Complan strategy what we are driving the chemist coverage will lead us to double the coverage in FY21?

Tarun Arora: We are not saying that double the coverage for Complan, we are seeing a double the coverage, direct coverage for the whole portfolio where each of the brands will have different benefits. Of course Complan will gain from some of the chemist coverage which was relatively weaker in the erstwhile situation and it will gain from the chemists but the brand wise gains will be different.

Dr. Sharvil Patel: Our view on Complan is multi-fold one is obviously the coverage and chemist. It is not only question of coverage but how you service the chemist which is also very important which we have been doing much better, so I think that is helping us and if you say the work period for any FMCG, Complan has been doing extremely well right now and that has also has led to because of the channel coverage that we have. The second is segmentation and the value proposition that Complan hold which has eroded over a period of many years. We are bringing their value proposition back in terms of the benefit of the product versus competition and also segmenting it in the right areas with new introduction, so all of that which also help from the medical practitioners, we will see the improvement on Complan from what was earlier being planned.

Moderator: Thank you. The next question is from the line of Kaustub Pawaskar from Sharekhan. Please go ahead.

Kaustub Pawaskar: Sir, my question is on the distributor front, have we given any higher credit period to our distributors in the current pandemic situation because we have a negative working capital for most of the years but now since because of the pandemic situation many companies are providing higher credit terms and even in terms of paying to their creditors as well they have reduced the credit base, so how is the situation at our end, are we giving any higher credit terms to our distributors or helping our distributors in such a scenario?

Umesh Parikh: As such, we have not provided any additional credit period to the distributors. The only thing that shipment takes time to reach to distributor's place because of the labor and transportation issues and therefore it takes about 4-5 days and we will have to provide 4-5 days additional credit, otherwise no.

Kaustub Pawaskar: And sir, my second question is on your product portfolio, as you said that you are seeing normalcy in terms of sales of certain categories, so for example Glucon-D, Complan and some of the essential categories like Sugar Free, will it mitigate whatever lower sales you will be seeing in some of your nonessential categories like Nutralite or Personal Care products like peel off or face wash?

Tarun Arora: No, it will not mitigate. These brands have shown better recovery as things have got better. I don't think it is mitigating every single piece.

Sharvil Patel: But we will see improvement in Nutralite and EverYuth. As things have normalized, that improvement will start to happen, the other brands are doing far better than this.

Kaustub Pawaskar: And sir for HFD specifically also one of the earlier participants asked this question about the immunity boosters, would even the branding strategy would change post COVID for your Complan and other health and wellness plans?

Tarun Arora: No, I don't see a bit change only where there is a relevant offering will be changed in this strategy. Essentially, the brand strategies remain consistent, only relevance where it is where I can offer more relevant solutions to consumers will adapt to those needs.

Moderator: Thank you. The next question is from the line of Samir Rachh from Nippon India Mutual Fund. Please go ahead.

Samir Rachh: I have two questions, one since Q1 is very significant quarter for us I think largely because of Glucon-D, so the way things stand, how the performance in Q1 has affected, one because of COVID and secondly because of cyclone in our main market is at Western region and most of the FMCG companies have also planned significant cost cutting, so since our sales are going to be lower, what kind of overall cost cutting measures you have taken? That is number one and secondly say whatever growth plan you had for the company for FY21, now because of COVID and uncertainties in the consumer behavior etc. it brings, would our plan for this year be different than what you originally thought?

Sharvil Patel: It is too early to talk about the full year because we want to see how the situation continues, so I don't think we can give a guidance for FY21. What we can definitely say is that May, we saw a very good recovery across all categories other than EverYuth and Nutralite, so we are very happy to see that effort that the team had made. We saw great demand for all our type of products which are essential and we are hoping that will continue through in June and will do better. Short term because our expenses are curtailed significantly, we have obviously don't have any concern and we have better profitability, but as and when the opportunity arises and we see more opportunities coming up in the future, we will put some money back in terms of marketing investment. So short term, I would say we have fared much better than what we would have thought so with good recovery in May and almost normalcy we expect in June, so our confidence remains that we will continue to, brands are doing well where they are positioned to be. Tarun, you may add something more if you like.

Tarun Arora: No, I think this covers up.

Moderator: Thank you. The next question is from the line of Aastha who is an Individual Investor. Please go ahead.

Aastha: So actually I wanted to know about the Nutralite category in specific and not as if you have said that you are not going to share the brand growth sales, so how is the category overall India growing because with some primary research what I have found out is that people are not very much aware of margarine as a category, so what is the category growth you see in coming year for this product Nutralite?

Tarun Arora: We believe Nutralite as a brand which has gone beyond just as a part of substitutes and fat spreads into other spread spaces like we have launched Mayonnaise and we have more products in the pipeline, we believe it to be a good double digit growth then and has really been like their consumers, yes, consumers do not appreciate the differences between various parts of the brand versus what the specific category is. I think that is the part of the work which we will be doing and we are doing a lot of sampling and consumer awareness of how our brand is superior in terms of proposition, but we believe double digit would be a right way to look at Nutralite over a period of time.

Aastha: Sir, what about the volume growth of this category?

Tarun Arora: It will be largely be a volume led growth as we envisage.

Aastha: And what is the estimated India's demand of the category, the whole category as such?

Tarun Arora: I think estimates vary because there is no structured database available for us to put together, so there are varying estimates and hard to guess for us.

Aastha: Sir, what about the retail and the wholesale distribution like how much percentage goes to the B2B sellers and how much go to B2C in this category as such?

Tarun Arora: I think for us the structure has been largely one fourth is to the retail which we are working on and handling as we are going on.

Aastha: Sir and one more question I have, this similar question for the Mayonnaise category which has been a quite recent launch for you, so what about the category growth in comparison to margarine?

Tarun Arora: So our dependence on fat spread is significantly higher. The mayonnaise has been a little behind our internal milestones, but it is still becoming more interesting and valuable and have we learned more about the category and improve our go to market and have some innovations there, I think it will scale up better.

Moderator: Thank you. The next question is from the line of Shirish Pardesi from Centrum. Please go ahead.

Shirish Pardesi: What I was trying to ask previously, what is our current chemist coverage if you can help us and what is the total coverage which we had?

Tarun Arora: I off hand don't remember but there is about 5 lakh, 0.5 million chemists in the urban India. We have about 75 to 80 percentile of chemist value covered to our business is what I can tell you at a high level number and most of the valuable chemists, we believe it is only getting better every day.

Shirish Pardesi: And what is our total coverage?

Tarun Arora: We don't get the Nielsen number, but my guess is anything between 1.7 to 2 million is all our brands reach across the portfolio.

Shirish Pardesi: And I guess the Glucon must be the fastest in this?

Tarun Arora: It is the largest yes, it is the largest in terms of reach.

Moderator: Thank you. The next question is from the line of Nishant Sharma from HDFC Securities. Please go ahead.

Nishant Sharma: I am saying category growth for EverYuth Peel off was 13.3%, is it the correct figure?

Tarun Arora: 13.3%

Nishant Sharma: And the market share which you mentioned in the statement and the category growth are of the same period or of the different periods?

Tarun Arora: Mid-March 20.

Nishant Sharma: Both are the same, so just one thing sir, if I compare it on a Y-o-Y basis, then we have lost significant market share in this particular category, while assume that COVID-19 would have impacted all the players and not just us, so what would be the major reason for this large market share loss and what would be our product launch for this category?

Tarun Arora: So I think if we look at 2 to 3 years, we were operating at 90% plus. There are two or three major shifts that are happening in the peel off category. I think Nielsen's coverage on this category was much lower, one. Second, there have been a high end launches which have happened in the e-commerce play which are at some 4 to 5 times our price. Now because the category is small, some of these things get captured at a differential level because this whole category is not more than 100-150 crores, so you find that Nielsen's earlier levels are different and their coverage has improved and some of these new launches at a very high price have been absorbed and with the e-commerce channel. So that is likely the thing. If I look at general trade from a regular basis, I think it is still in the ballpark, 85-90% range, exact numbers I can share a bit later. So our share has not beenlost in the traditional market, if the new e-commerce high-end where lost the share so we remain competitive, we are also looking at opportunities to have offerings to complete in the spaces which directly I cannot take EverYuth Peel Off as it stands today and over a period of time, you might find some launches when we are ready to address some of these markets which are looking interesting and we have a capability to address them also.

Sharvil Patel: Also, I think it is important to notice many stock of particular peel off especially in the e-commerce you see a lot of churn happening, so there are lot of new introduction and lot of discontinuation, so that market share is not a good representative, so we internally discuss and debate this a lot but it is only because of the high price variant that come in and go away and that upsets the whole market share, but traditionally the market shares have been constant and we have volume growth which is higher than value growth right now.

Nishant Sharma: And second question is on the debt levels, so what would be our target for the debt reduction and what could be the, whether the current rate reduction, interest rate reduction by the RBI will be benefiting up from that number or we won't be?

Umesh Parikh: For the debt front, as you may be aware that the maturity dates are in the year 2022, 23 and 24, so as such from the NCD perspective we don't have a possibility of our debt reduction, but certainly we can think of the other ways to get the benefit of the interest cost reduction and we are working on that.

Nishant Sharma: And last just if I can squeeze in, what could be our tax rate for next two years?

Umesh Parikh: Tax rate for next year would be zero.

Nishant Sharma: And from after that, that could also be….

Umesh Parikh: Next 2 to 3 years it will be zero.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Tarun Arora: Thank you everyone. Hope you and your family stay safe. We will see you in the next quarter. Thank you.

Moderator: Thank you very much. On behalf of Zydus Wellness Limited that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.