May 17, 2024

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 May 14, 2024**

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 Q4 FY2024 Earnings Conference call held at 4:00 p.m. (IST) on Tuesday, May 14, 2024.

Please find the same in order.

Thanking you,

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

NANDISH PRADIP JOSHI
Digitally signed by NANDISH PRADIP JOSHI
Date: 2024.05.17 17:55:42 +05'30'

NANDISH P. JOSHI
COMPANY SECRETARY

Encl.: As above

"Zydus Wellness Limited
Q4 FY '24 Earnings Conference Call"
May 14, 2024

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

Moderator: Ladies and gentlemen, good day and welcome to Zydus Wellness Q4 FY '24 Earnings Conference Call hosted by ICICI Securities Limited. Before we get started, I would like to remind you that the Q&A session is only for Institutional Investors and Analysts and therefore, if there is anybody else who is not an Institutional Investor or Analyst but would like to ask questions, please directly reach out to the Zydus Wellness Investor Relations Team.

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 Mr. Bhuwania.

Karan Bhuwania: Thank you Neerav. Good evening everyone and welcome to Q4 FY '24 Results Conference Call of Zydus Wellness.

From the management today, we have Dr. Sharvil Patel - Chairman, Mr. Tarun Arora - CEO, Mr. Ganesh Nayak - Director, Mr. Umesh Parikh - CFO.

I would now like to hand over the call to Mr. Tarun Arora for his opening remarks post which we can open for Q&A session. Thank you. Over to you, sir.

Tarun Arora: Good afternoon and welcome to the post results teleconference of Zydus Wellness Limited for Q4 FY '23-'24.

Like Karan mentioned, we have with us Dr. Shravil Patel - Chairman, Mr. Ganesh Nayak, - Director and Mr. Umesh Parikh - CFO of the business. During the quarter gone by for the FMCG sector, we witnessed a gradual uptick in demand and growth in rural demand which started converging with that of urban demand.

So we have seen some green shoots like I have mentioned in the last quarter as well. Most of our company's portfolio has seen demand recovery which was further fuelled by the demand of summer-led brands like Glucon-D and Nycil in the anticipation of good summers. The company further expects demand to pick up in the hope of good monsoon and improvement in macro-economic factors.

Most of the company's portfolio has seen positive volume momentum. As a result, the company registered consolidated net sales growth of 9.6% on year-on-year basis of which 5.5% is due to volume. The personal care segment continues to register strong double-digit growth for the quarter with both Everyuth and Nycil portfolio witnessing a good demand traction.

The food and nutrition segment also turned positive and reported a mid-single-digit value growth for the quarter on year-on-year basis. Both Complan and Sweetener's portfolio have seen positive revival in demand. For Nutralite brand, value growth trails the volume due to market-driven prices.

The company's research and development capabilities continue to be on the forefront helping the company to launch new products and extensions namely Glucon-D Activors, Electrolyte Energy Drink, a ready-to-drink format for on-the-go consumption in a couple of states. The company also extended its Sweetener portfolio with the launch of I'mlite, a unique formulation of sugar blended with stevia to offer consumers 50% less calories than regular sugar and new range of products under sugar-free delight range for the international business.

We continue to witness cross-margin expansion with the improvement of 377 basis points on a year-on-year basis for the quarter 4 of the financial year contributed by calibrated price increase taken earlier and efficient hedging strategy for key commodities.

Let me take you through some other highlights of the consolidated financial performance of quarter 4, financial year 2023-24. Our net sales grew by 9.6% to Rs. 7,780 million. We reinvested some of the gross-margin expansion into brand building as a result of which advertisement expenses grew by 41.6% year-on-year on a lower base of brand investment last financial year. Other expenses grew by 9.3% year-on-year basis. EBITDA grew by 12.2% year-on-year to Rs. 1,622 million.

The company reported profit after tax of Rs. 1,503 million. Adjusted PAT after eliminating exceptional items and one-time deferred tax assets impact in comparable quarter of previous year grew by 24.7% on a year-on-year basis. Coming to the annual consolidated financial highlights, our total income from operations increased by 3.2% year-on-year to Rs. 23,279 million during the year. Our EBITDA was down by 8.6% year-on-year to Rs. 3,082 million. EBITDA margin as percentage of total income from operations stood at 13.2%.

The company reported profit after tax of Rs. 2,669 million. Adjusted PAT after eliminating exceptional items and one-time deferred tax assets was down by 9.1% on a year-on-year basis. Net debt stood at Rs. 77 million. Our consolidated capex for the year was Rs. 489 million. With that, let me share some of the highlights of operations for the year gone by which will also cover category growth, market share numbers as per MAT March 2024 report of Nielsen and IQVIA.

We continued our thrust on marketing initiatives to grow the categories and increase market share of our brands during the year.

On the personal care front, Everyuth brand continues to outpace category growth and has registered a strong growth for the financial year. The face scrub category has registered a growth of 12.1% at MAT level. Everyuth scrub has maintained its leadership position with market share of 45.6% in the facial scrub category which is an increase of 369 basis points over the same period last year.

The peel-off category has registered a growth of 14.5% at MAT level. Everyuth peel-off has maintained its number one position with a market share of 80.2% in the peel-off which is an increase of 174 basis points over the same period last year. Everyuth brand is at number five position with market share of 6.5% at overall facial cleansing segment level.

Nycil brand has also reported a strong growth for financial year. The prickly heat powder category has grown by 3.7% at MAT level. Nycil has maintained its number one position with a market share of 35% in the prickly heat powder category. Nycil has recorded its highest household penetration at 8.5% at MAT February '24 level with its volume growth ahead of the category.

On the Glucon-D front, with continued marketing efforts towards driving growth and recruiting new consumers, brand penetration has grown by 62 basis points versus last year as on MAT Feb' 24 as per Kantar Panel. The glucose powder category has grown by 4% at MAT level. Glucon-D continues to maintain its leadership position in its glucose powder category with a value market share of 59.5% at MAT level.

On the Complan front, the nutrition drink category has started showing signs of revival in the later half of the financial year from a slowdown in the last year. The brand performance is a reflection in similar lines. At MAT March 2024 level as per Kantar panel, brand penetration has grown by 26 basis points versus last year to 2.9%. We launched a new TV campaign with two popular celebrities namely Madhuri and Sneha which was backed up with our robust 360 degree campaigns across all medium. The category has grown by 6.4% at MAT March level. Complan market share stood at 4.3% at MAT level.

Sugar substitutes category has grown by 5.5% at MAT March level. The sugar-free brand continues to dominate sugar-free substitutes with a market share of 95.9%. Sugar-free green continues to grow at high double digit led by volume offtake growth.

On the Nutralite front, the brand registered good volume growth during the financial year. However, the negative value growth due to market-driven prices, the brand was supported by various customer engagement activities like chef meets and participation in food exhibitions.

The brand's digital initiatives like Nutraverse, the world's first cookery show on Metaverse, received numerous awards from the marketing fraternity.

With the indicators of good summer season and a normal monsoon expected to augur well for the company's significantly contributing seasonal portfolio. The recent introduction of hub-and-spoke model will further strengthen company supply chain capabilities and add to timely availability of company's products in the key markets.

The company will continue to innovate further to meet the evolving consumer preferences. Better macro-economic indicators along with company's resilient front-end and back-end capabilities are likely to result into good growth for its brands in the coming quarter. Thank you and we can now start the Q&A. Over to the coordinator for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Tejash Shah from Avendus Spark. Please go ahead.

Tejash Shah: Hi team. Thanks for the opportunity and congrats on good recovery and robust profitability after long. More importantly, the quality of earning looks good prima facie. Sir just wanted to know you called out in your presentation opening remarks that there is a gradual progression in selected consumer space. So just wanted to know more insights on the constituent of this progression and also sustainability of the same?

Tarun Arora: So I think what we are seeing is some categories are showing better resilience and better response namely especially the personal care spaces with both the brands we have seen over the whole financial year and even now a good response from the demand side. Similarly, some of the other factors which is running across our food and nutrition portfolio we are seeing a far better pull from a consumer's side and across channels therefore we hope that this will build as a lot of people are talking about in the industry as well that it can build up as we see.

Tejash Shah: Sure. And so we are in the middle of a very good summer season. So how is the retail offtake. Can understand that perhaps fourth quarter had some element of stocking up before the summer, but what's your initial sense on retail offtake? Is it in line and can we expect a good start of the fiscal year?

Tarun Arora: Yes, hopefully yes, because it's still part of the quarter gone by. So far, whatever we've seen is a positive movement from the retail.

Tejash Shah: And sir across portfolio or because your market share slide on both Nycil and on Glucon-D still is showing a downward trend. So just wanted to know is it that market is actually doing better or slightly there's a lag in this number will show up in coming quarters in terms of market share gain for us?

Tarun Arora: So I think there is some bit of catch up for Nielsen specifically in the personal care space where we've seen they've been at a category level showing only a 2% to 3% growth for last year as well as continuing. So I think there is a lag and I hope Nielsen shares will catch up with our internal growth because that's been sustained. So I would say it's a mixed bag. We do see, like many other companies local players springing up, competition heating up, but our full growth are not fully reflected in some of the market shares.

Tejash Shah: Considerable jump in our A&P spend for the quarter. Was it to support new launches or was it the existing competitive intensity in the existing portfolio is very high?

Tarun Arora: So there are again two factors. One is that we've been optimising our advertising spends as the gross margins were under pressure over the last two financial years. Now, as we've got the opportunity to with the gross margins improving we float back that money because we believe it has to support the demand generation to build our business in the right direction. Yes, we have some launches, but it's more to build more demand and also deal with competition challenges that come along with it, but we think we'll reset this level and need not have to invest continuing at the same growth levels.

Tejash Shah: Sure. Last on gross margin or raw material situation as it is today. How should we think about EBITDA margin because we have given quite margins in the last 2 years, 3 years. So how should we think about that number from here on?

Tarun Arora: So going forward we expect the inflation to be normal which is a manageable 4%, 5% or 3%, whatever that we've seen over the last 8 to 10 years rather than the extreme inflation that we saw over the last 2 years. Within that, I think we hold our wish list to be a much higher 17%, 18% EBITDA in the next 2 years. I think we will continue on our journey. Gross margins is a starting point. I think over the next few quarters I think this should build up into some operating leverage as well.

Tejash Shah: Thanks sir. That's all from my side and all the best for FY25.

Tarun Arora: Thank you.

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

Ajay Thakur: Thanks for taking my question. So my question was again on the summer portfolio. So you did elaborate on summer sales kind of witnessing good kind of attraction, but have we seen any weather related kind of disruptions at any kind of regions or how is it versus the last year if you can throw some more so from the more like April-May perspective rather than the Q4 perspective?

Tarun Arora: At an overall level I think we still see a good season. Of course, there are patches like some markets which will have those things and no year is completely even across the country. So right now at an overall level we are seeing a good uptick and we believe that's a good way to look forward. Regarding last year, we saw especially the biggest of the markets like North had a significant rainfall which depressed temperatures. So that we are of this year. That should persist as of now.

Ajay Thakur: Secondly, I wanted to get a more sense on the growth. You referred to the growth in Complan actually coming through. So can you just elaborate on what kind of growth we are seeing in the category itself and also how are we kind of looking at further kind of improving our shares in the category? So that could be helpful.

Tarun Arora: So at the Complan level the category has seen some revival and like I mentioned at MAT level we are seeing about 6.5% kind of growth levels. We are also positive that as the category builds up we will continue to build along with that. We have seen penetration levels grow in double digits. Of course, it's not fully translating into same level of growth because of inflation and other factors. The consumption is not keeping pace with the increased penetration.

So our view is right now we continue to like we said in the past, hold and build step by step. Good part is with the milk prices being stable we will continue to improve our gross margins. We look at holding our market shares or step by step building it and reasonable level of growth. We have some interesting more initiatives over the next few quarters which will help us to take it to the next level and we will share it as and when they are out in the market.

Ajay Thakur: I understand. Sir, I also wanted to understand more on the sugar-free side of it. We have been witnessing some bit of a competition especially in the modern trade in the sugar-free category.

What is your take on the same? A lot of competition coming from the equal and their branding. So are you also witnessing the same in the market and if you can throw some light on the sugar-free category?

Tarun Arora: So there has not been any significant competition perspective. I think our single-minded focus on sugar-free and sweeteners overall is to build the category. As a significant number one focus is to recruit new consumers. We have found over the period of time since a lot of negative things happened, sugar-free green thanks to its natural equity plays a very strong role.

That's seen a good double-digit growth consistently over now 10 or 12 or maybe 13 quarters. So we continue to build driving that as a lead recruiter variant on the sugar free. And we have also now launched I'm lite. So at the overall sweetener level, we are hopeful that we should be over the next couple of years, see a good enhancement of growth.

Ajay Thakur: So lastly on the tax front, if you can just guide us on the tax rate for next year and the year after, FY 2025 and 2026?

Umesh Parikh: So for this financial year ending 2025, we won't be paying any tax. And of course, there will be a deferred tax liability would be there, but there won't be any cash outflow on the tax front. In the year 2026-27, there would be partial tax outflow because we will have benefit of Sikkim facility as well, ATI. So for financial year 2027, we will have some tax outflow. But this year, certainly there won't be any tax outflow.

Ajay Thakur: So 2026, if you can throw some light specifically?

Umesh Parikh: 2025-26.

Ajay Thakur: So 2026 also, we are not looking at any tax rate in terms of...?

Umesh Parikh: No, we are. For 2025-26, I am saying because of the Sikkim facility, we will have partial tax outflow.

Ajay Thakur: So what kind of tax rate can we build in for modeling purpose?

Umesh Parikh: Yes. So, you know, you can talk to me separately. I'll take you through that.

Ajay Thakur: Okay. Sure. Not an issue. Thanks for that. That's it from us, sir.

Moderator: Thank you. Next question is from the line of Kaustubh Pawaskar from Sharekhan By BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Yes. Good evening, sir. Thanks for giving me the opportunity and congrats for a good set of numbers. So my question is again on the sugar free. So last quarter we have seen because of some bit of negativism and even the Sugarlite sales got impacted…

Moderator: Kaustubh, sorry to interrupt you. Can you please speak through the handset?

Kaustubh Pawaskar: Is it better now?

Moderator: Yes, thank you.

Kaustubh Pawaskar: Yes. So I have a question again on sugar free. So last quarter we have seen sugar free sales seeing a degrowth on a year-on-year basis and there were reasons to it and a lot of negativism was built up, you know, around the brand. This quarter we have seen growth coming back again. So I just want to understand the reason for the growth. Is Sugar Free Green only the green driver for the growth? And can we expect this growth to be consistent and with the new addition to the portfolio, it should improve further maybe in quarters ahead?

Tarun Arora: So we have seen consistent, after the WHO and other impact that we had and the impact of Sugarlite, the sweetener portfolio did come under pressure. We have seen that progressively improve and clearly a reasonable revival of growth on this in the last quarter. We expect going forward, we'll further build on it and see a consistent growth as we envisage for sweeteners as a portfolio with both Sugar Free Green and I'm lite being the key leaders or drivers of growth back.

Kaustubh Pawaskar: So overall food portfolio, so we are seeing personal care consistently there has been a good growth this quarter. Also, we have achieved double digit kind of a growth. Food, this quarter it was mid-single digit kind of a growth. With overall recovery in some of the key category groups, should we expect FY 25 to be a double digit kind of a revenue growth? Considering the fact that even in Q1 FY 24, there was an impact of seasonal impact on your summer portfolio. So that impacted the overall performance of Q1. So considering all these factors, should we expect double digit kind of growth for FY 25?

Umesh Parikh: Yes, I agree. We should see a double digit.

Kaustubh Pawaskar: Okay. And personal care should be something which should continue to grow in double digit with a fair bit of recovery in the food and nutrition. Is it a right understanding?

Umesh Parikh: Yes.

Kaustubh Pawaskar: And on the distribution front, what is the current touchpoint for us? And 25-26, where do we expect this distribution touchpoint?

Tarun Arora: So I think there are two or three things that factors we should look at when we look at distribution, factors that the organized channel continues to lead demand because there are consumers who are shifting and these platforms are getting deeper and wider. So maybe whether it's quick commerce or whatever be the kind of initiatives they may be doing and expansion of stores by some of the offline organized retail, the share of organized trade will continue to go up. It's about a 20%. We expect it to continue to 21%-22% over next one year or two years.

From a traditional trade point of view, our products are available close to about 3 million outlets. Our journey or our plan would be to how do I build it to be available at 3.5 million outlets. That's one. So what does it take to get there? So whole set of initiatives we are putting in place.

The second more important call that we are doing at least in the next few months our priority will be to expand our range within the direct outlet reach that we have about 6.5 lakh outlets that we have directly cover how to expand our portfolio within that. So we have more lines or more SKUs sold within those stores. That would be priority one.

Of course, then we can follow it through if we need to expand our direct distribution as well. But these are set of input parameters, but the whole value will be when I can take my 3 million outlets availability across my portfolio to a 3.5 over next two years. That would be my maybe a little ambitious, but target given that how we envisage to build our business.

Kaustubh Pawaskar: Thank you, sir. Thanks for the understanding and all the best for the future.

Moderator: Thank you. Next question is from the line of Jay Modi from Emkay Investment Managers. Please go ahead.

Jay Modi: Okay. So my question is around Complan. So with recent controversy about reclassification of the category, have you seen any end consumer demand getting impacted?

Tarun Arora: Not really. I think it's just about nomenclatures which I think has nothing, no impact on consumers. This is largely more regulator-led issues. So the demand stays consistent. Like I mentioned, at MAT level, the category has seen a revival with 6.5% growth. We are hopeful that it will stay on course and build further.

Jay Modi: Okay. And sir second was around the industry level demand. So now that the input inflation is much stable than what we've seen in past years, and a lot of initiatives taken by you and the leader for the category penetration, do we expect this category to grow in double digit going forward?

Tarun Arora: It's hard to say, but our own view is that we will build our strategy around a double digit growth around the nutritional space that we operate with Complan leading it. The category may or may not see a double digit growth because there are factors which play both ways. And therefore that's how we'll operate.

Jay Modi: Got it. Sir, can you give us a rough indication as to how much would Complan be as part of our food portfolio? Just a rough number, not the exact. I mean, if it is 20, 30...?

Tarun Arora: No, we don't share. Sorry, we do not share this data.

Jay Modi: Okay. And lastly was around the channel. So we've seen our share on e-commerce going up. Now, are the margins on this channel in line with our traditional trade or is it margin diluted for us? Any rough indication?

Tarun Arora: At gross margin levels, we are able to balance across channels because we have to. We're quite focused on it.

Jay Modi: Okay, sir. Great. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Mayur, Wealth Managers. Please go ahead.

Mayur: Good evening, sir. Am I audible?

Moderator: Your voice is coming a little muffled. Can you speak through the handset, please?

Mayur: Hello. Is it okay now?

Moderator: Yes, thank you. Please go ahead.

Mayur: Thank you for taking my questions. Actually, just a very high-level, top-down question. Over the last couple of years, we have seen many of our things falling in place after this quarter results when we see after the there was a Heinz portfolio which had to be integrated. Then Covid came in place. Those issues were behind us, now behind us. We have become a debt-free company. The raw material pressure has been now behind us and we are looking back on the growth path.

With this background in place, will we look at increasing our expectation and should we look at increasing our expectation and look at middle, double-digit kind of growth over the next two, three years or will we, still as management, continue to believe that we'll be somewhere the current growth rates to continue in that segment of maybe around 10-ish kind of level or do you think there is a scope for us to now start looking at higher growth rates and look at our target of Rs. 3,500 crores as the revenue target?

Tarun Arora: So we do believe that we have the right capability inputs as a company to build on a double-digit growth path. We have part of the macro environment we operate and that's why there was some challenges in the past but we think with a stable environment we are on the path to deliver a consistent double-digit growth over the next few years.

Mayur: So I understand but do you think Rs. 3,500 crores is three years away or do you think is it more than that? A simple understanding so that we have a better understanding on what do you mean by the kind of growth rate we are looking for?

Tarun Arora: I do not have a specific number to share as we don't work on specific guidance but yes we are committed to a double-digit like I mentioned.

Mayur: Sir, on the margins front also you did mention that we will look at 17%-18% kind of EBITDA over the next two years, right? Did I get that right?

Tarun Arora: Yes, that's what we want to do. We know it's a little ambitious given what we have done this year but we will work towards it and we do believe we have a shot at it. We will see how far we can achieve.

Mayur: In fact, I had a different way to look at this. Just by the sheer reversion to mean in terms of the last year low margin scenario which we had and which is now slowly coming back in terms of gross margin improving. If we just do the simple mean reversion and see the previous year, wouldn't it be fair to say that we would already be reaching around 16% in this year itself with the margins go the way they are but the simple base effect coming back to normalization. So do you think 17%-18% will be a tough task or it's just that the simple mean reversion itself will take us?

Tarun Arora: So I think, well, the math is simple but there is two things you need to keep in mind. That is, costs continue to build up on your fixed costs as well as we have managed last couple of years which was extreme inflation by optimizing some costs and investments that we need to build on the business. So we need a tight rope walk on balancing our EBITDA wish list as well as investing on the brand to build it for the future.

So therefore, I would not hurry on either of these sides and balance that and therefore 17%-18% is a reasonably optimistic or tough or challenging task we have taken and I think because we want to build it sustainably.

Mayur: Okay. So last final question I had. We have, I saw in the cash flow rate of Rs. 50 crores inflow on debt side borrowing. What would be that?

Umesh Parikh: That was temporary working capital inflow that has been repaid now.

Mayur: Okay. So it was only for the March quarter or something like that?

Umesh Parikh: Yes.

Mayur: Okay. Thank you so much. Sir, what would be the cash levels now after this?

Umesh Parikh: So we have mentioned that we are now debt free and at the net cash level, like that debt is about Rs. 80 lakhs.

Mayur: Okay.

Umesh Parikh: Rs. 8 lakhs. Sorry.

Mayur: Sorry?

Umesh Parikh: Rs. 8 lakhs.

Mayur: Rs. 8 lakhs?

Umesh Parikh: And it is practically zero. Rs. 8 lakhs.

Mayur: Okay. Thank you so much.

Moderator: Thank you. Next question is from the line of Shirish Pardeshi from Centrum Broking Limited. Please go ahead.

Shirish Pardeshi: Hi Tarun. Good evening. Thanks for the opportunity. I have just two basic questions. When I look back last two years, we had a bigger challenge, consumer traffic, a consumer offtake is marred with the discretionary spends. So just reference slide number eight, what you have mentioned that in FY' 24, our food and nutritional portfolio has just remained flat while personal has grown 17%. So this is one observation.

And second, you mentioned that our direct coverage is aspiring to get from 6 lakhs to 7 lakhs. So I'm just trying to build a scenario that though we know what are the problems which discretionary spends are looking, but internally, maybe what are the top two, three things other than the ad spends are supporting the brand which we are trying to change in FY' 25 for food and nutritional portfolio?

Tarun Arora: So, Shirish, thanks for this question. I think I've kind of tried to explain this earlier. I think food and nutrition portfolio, though, if we look at last financial year, one of the biggest drivers of our flattish numbers was the fact that we had a hard summer where the temperatures were much lower than they should be in our key markets and that clearly pulled out and it's one of the largest plans we have that impacted us. Secondly, we had double trouble in our sweetener portfolio where WHO decided to create a warning with some ways of putting it and our sugarlite came under trademark litigation.

With those two, three largest of the things and if I can add maybe Nutralite when the oil prices dropped, our value growth reduced, volume was better. So overall, therefore, our value growth looked much lower than what it could have been or should have been in a normal situation. Having said this, I think as we come back to normalcy and any medium period of time, two to three years, we should see a double-digit growth.

We should see Glucon-D coming back on growth path and we have no reason to believe anything less than that. All our actions are in place. Similarly, for sweeteners, we are already seeing a revival with Sugarfree Green leading it but other portfolios are not losing so much. And similarly, we have launched I'm lite, which will take care of our blended sugar opportunity. These put together, Complan is seeing good single digits right now. So we should see at least that category seeing a good single digits growth.

We should see a decent double-digit opportunity on food and nutrition. Personal care anyway has been on a double-digit despite the market and our belief is that we are gaining from competition in some of these spaces. So we are well-equipped to build our business. Your question on traditional trade distribution, I think like I mentioned to some earlier participants, my priority will be to take our 30 lakh outlets or 3 million outlet availability to 3.5 million outlet availability. 6 to 7, because we have 6.3-6.2 lakhs, which varies depending upon the category and season. That we do want to take it up but the eventual goal is have more products going through the same outlets.

So widening my portfolio within what I cover and overall my distribution or availability going up to 3.5 million. So those are few things that we are driving. We anyway know organized trade, which is mix of offline modern trade as well as e-commerce are building up and we are participating reasonably well while gaining shares in those markets. So we are well-rounded on this whole growth journey.

Shirish Pardeshi: Well that's really helpful. I'm just trying to build in mind that when you move from 6 lakhs to 7 lakh direct coverage and you added 3 million to become 3.5 million. So which category will have given the current scenario, if it continues another one or two quarter, which category will have the positive effect to our numbers. I'm just trying to derive, not trying to build the numbers.

Tarun Arora: So across the portfolio, I'm seeing clearly personal care categories. Nielsen has not caught up with the numbers. Both Nycil and Everyuth distribution, given the smaller price packs have expanded substantially in these categories for us, they should have captured much more.

So we do expect those are clear drivers. Similarly, in the food and nutrition portfolio, we've been able to expand our presence. So there also most of the brands including say Complan or Glucon-D could also expand on that.

Shirish Pardeshi: So this distribution expansion is largely within the cities where we are present or this is the newer markets we are opening?

Tarun Arora: Substantially within the markets we are already available. Of course, in some of the lower POPs will go deeper as well. It's a mix.

Shirish Pardeshi: Okay. My second question is that when you look at Rs. 2,300 crores portfolio number, what is the international contribution and what are the plans which we are trying to build this business over the next 2-3 years?

Tarun Arora: So at international business level for the full year, we are about 3.5%-4% range. This been range bound because if I were to break it down into three geographies or three focus markets, namely we've talked about it, Africa led by Nigeria, India sub-continent which is Bangladesh, Nepal, and there is GCC in the Middle East. We've seen good double-digit growth in both GCC as well as India subcontinent and we believe these will be a significant growth drivers for us over the next 3-4 years.

Nigeria which is one of our largest markets has been under pressure in last one year because of the macro-economic and currency issues, demonetization and whole lot of those things. Once that is sorted, we believe one of the strongest equity for our brands is there. So all of these markets can really help us double our business every three years maybe if I were to look at it - maybe faster.

We'll have to see those numbers, whatever it plays out, but they can definitely increase the share of overall business to 7-8 that we want to do sooner than later.

Shirish Pardeshi: Okay. My last question on the margin. When I look at this quarter, our ad expenses reached up, obviously we had the gross margin lever. So what kind of expense we should build for FY '25? I don't want the number. If it is remaining at similar level, we'll go off from here and if barring apart the commodity prices which is there which we can track. But what are the internal levers in terms of cost energies or cost management which you think especially we can go to 17%-18% EBITDA margin?

Tarun Arora: So, I'll just answer in summary because if you need more detailed questions, we can pick it up separately. But quickly speaking, I think we've upped our investments largely to come back to our levels that we wanted to operate closer to 13%-14% of expense. But going forward, I don't think we see a substantial increase.

They may happen one-off led by some initiative, but rather we'll try and maintain a similar level. Margin expansion is led by the fact that our growths will come back to double-digit. We will continue to improve our gross margins and have our operating leverage. I can get into more details, but then it needs a separate discussion which you can pick it up with Saumil and we can have this conversation.

Shirish Pardeshi: Sure. Thank you and all the best.

Moderator: Thank you. Participants, you may press star and one to ask a question. Next question is from the line of Varun Singh. Please go ahead.

Varun Singh: Yes, thank you. So, my first question is - what is your reading on rural recovery?

Tarun Arora: So, our read is that there is improvement in rural recovery. Some of our brands showing it, some of the data from industry has also shown that there is improvement. So we are hopeful it will only get better in the coming quarters.

Varun Singh: So in our portfolio, compared to last quarter, if you would like to call out some number with regards to how much the improvement appears to be for you?

Tarun Arora: So at an overall level, it's quite balanced across the whole categories and channels. So we've been fair across.

Varun Singh: Okay, understood. And so my second question is on Glucon-D. Maybe if you would like to call out your observation, analysis, etc. like before Covid and after Covid, how the category has grown and maybe anything structural observation into this category? If you can share some insight, that will be helpful.

Tarun Arora: So, I think Glucon-D has seen consistent penetration. It's only during the Covid that it had dropped substantially. But otherwise, we've seen a consistent penetration increase with the consumers.

Varun Singh: Okay, sure. Thank you, sir. That is from my side.

Moderator: Thank you. Participants, you may press star and 1 to ask a question. Next follow-up question is from the line of Mayur from Wealth Manager. Please go ahead.

Mayur: Hello. Also, thank you for taking my question. Sir, given that Glucon-D is a summer product for us, and last year, as we said, key markets and key geographies were impacted due to summer being impacted by rain. When we see the commentary here, the food and nutrition is much lower. Would you say that the growth has been much lower than your expectations and should have been much better given the good summer this year and given the low base effect last year?

Tarun Arora: There is no base effect in Jan-Feb-March. I think our growth has been quite on the expected lines given the macro-economic factors. So I think it's quite balanced. This is also a quarter when a lot of trade loading happens. So we have to see the Glucon-D over a Jan-June period to really establish how the season has been.

Mayur: Right. So you believe a large part of the recovery in growth and demand will actually be more witnessed as we go ahead in the following quarter?

Tarun Arora: Yes.

Mayur: Okay. So, the second is a clarificatory question and not intended with respect to the company's strategy as such. But the sugar-free the new brand which the sugar substitute, which I'm lite, also has, on the face of it, lower calorie as one of the key aspects. And as per WHO, that has been something that the sugar substitutes can't do. So, is there something which we believe that these situations won't come to India, won't be implemented in India, or is something different, our understanding with respect to regulatory aspect? Because on the face of it, not that I'm an expert, just asking your view on your understanding on it.

Tarun Arora: I'm lite is a blended sugar. It's not a sugar substitute. It has Stevia blended with sugar. So I think it is not in the purview of WHO as we understand.

Mayur: So it won't come under the purview of sugar substitute and that?

Tarun Arora: No.

Mayur: Finally, the third question on Everyuth. So, do we have any B2B business on this segment in this category, or is it all B2C learning?

Tarun Arora: All B2C.

Mayur: And do we have any intent to tie up or go for B2B segments over here or will remain a B2C?

Tarun Arora: We focus on B2C, but we always look at all opportunities that come our way.

Mayur: Okay sir. Thank you so much.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to the management for closing comments.

Tarun Arora: Thank you everyone. Thank you for your patience and diligent questions. We'll see you next quarter.

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