February 6, 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 February 2, 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 Q3 FY2023 Earnings Conference call held at 5:30 p.m. (IST) on Thursday, February 2, 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: 2023.02.06 18:27:20 +05'30'

NANDISH P. JOSHI
COMPANY SECRETARY

Encl.: As above

“Zydus Wellness Limited
Q3 FY2023 Earnings Conference Call”

February 02, 2023

ANALYST: **MR. KARAN BHUWANIA – ICICI SECURITIES**

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: Good evening, ladies and gentlemen, and welcome to the Zydus Wellness Q3 FY2023 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 the conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. 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 Inba. Good evening everyone. It is our pleasure at ISEC to host Q3 FY2023 results conference call for Zydus Wellness Limited. From the management we have Dr. Sharvil Patel, Chairman; Mr. Tarun Arora, Chief Executive Officer; Mr. Ganesh Nayak, Director; and Mr. Umesh Parikh, who is the CFO. I would like to hand it over to Mr. Tarun Arora for his opening remarks and then post that we can open the Q&A. Thank you.

Tarun Arora: Thank you Karan. Good evening and welcome to the post results teleconference of Zydus Wellness Limited for Q3 FY2022-2023. Like Karan mentioned we have with us Dr. Sharvil Patel – Chairman; Mr. Ganesh Nayak – Director; and Mr. Umesh Parikh, our CFO.

Business operating environment continues to remain challenging for FMCG industry as a whole while rural demand in particular remain sluggish during Q3 of FY2023. In this tough environment we continue to drive leadership across our brand portfolio with all brands with the exception of Complan at five-year high market share. We continue to demonstrate pricing power across our portfolio without any impact on our competiveness. Inflation has moderated across key imports except that of milk, which remained at an elevated level even during the flush season. To mitigate the impact of inflation the company has already taken appropriate price increases, which will fully get reflected in Q4 of this financial year.

We have seen gross margins for non-milk-based products going up over 200 basis points sequentially while there is a drop in gross margins of Complan due to milk inflation. At an overall level, the gross margins are up by 60 basis points sequentially taking a cue from cooling down of global milk prices we expect milk prices in India to have peaked and should be absorbed at an annualized level. With further actions in place and better product mix the margins will progressively improve and get closer to last year for Q4 on Y-o-Y basis. In line with FMCG industry growth the company has registered net sales growth of 7.3% on a consolidated basis during Q3.

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Let me take you through the highlights of consolidated financial performance of Q3 FY2022-2023. During the third quarter of the financial year our net sales grew by 7.3% to Rs.4130 million. Our total income from operations grew by 7.1% to Rs.4156 million. Our other expenses grew by 17.4%, which was largely due to increase in cost of fuel like coal and husk, and also the statutory revision in the wage rate in the Northeastern belt where some of our manufacturing facilities are located and increase in manufacturing activities and preparation for the season. EBITDA degrew by 12.7% year-on-year basis to Rs.282 million. PBT before exceptional items degrew by 15.0% year-on-year to Rs.193 million. Reported net profit was down by 16.1% year-on-year to Rs.186 million. With that let me share some of the highlights of the operations for the quarter gone by.

We continued our thrust-on marketing initiatives to grow the categories and increase market share of our brands during the quarter to narrate a few. On Glucon-D front Q3 being a non-seasonal quarter for Glucon-D has limited contribution to the business. The glucose powder category has grown by 8.2%. Glucon-D brand continues to maintain its number one position with a market share of 59.9% as per MAT December 2022 report of Nielsen, which is an increase of 161 basis points over the same period last year.

On the Complan front the health food drinks category continued to witness slowdown and has degrown in low single digits at MAT level. However, with right interventions in place now Complan brand has registered a low single digit growth for the quarter gone by. The health food drink category has degrown by 2.3% at MAT level the Complan market share stood at 4.5% in the category as per MAT December 2022 report of Nielsen.

On the sweeteners front, Sugar Free brand posted a revival in offtake with a 10% growth during the quarter indicating a turnaround on the consumer front. Sugar Free Green continue to build on digital platforms with special campaigns during T20 World Cup while Sugarlite looks to expand aggressively in its world space markets with TV plus multimedia approach of print both outdoor and digital. The continuous focus on new portfolio of Sugar Free Green and Sugarlite has led to them to now contribute 13% of total sweeteners portfolio. The sugar substitute category has registered a flat growth of MAT level at MAT level. The Sugar Free brand continues to maintain its leadership with a market share of over 95.8% as per MAT December 2022 report of IQVIA.

On the personal care front, Everyuth brand continued consistent performance delivering a double-digit growth on a three-year CAGR basis and building market share. Brand was supported by TV and digital campaigns across its core portfolio of face scrub and body lotions range. The face scrub category has registered a growth 6.3% at MAT level, Everyuth

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scrub continues to maintain its leadership position with market share of 41.8% in the facial scrub category which is an increase of 160 basis points over the same period last year as per MAT December 2022 report of Nielsen. The peel off category has registered a growth of 7% at MAT level. Everyuth peel off has maintained its number one position with a market share of 78.4% in the peel off, which is an increase of 22 basis points over the same period last year as per MAT December 2022 report of Nielsen. Everyuth brand is at number five position with a market share of 6.4% at overall facial cleansing segment as per MAT December 2022 report of Nielsen. The prickly heat powder category has registered a growth of 13% at MAT level. Nycil has maintained its number one position with a market share of 35.1% in the prickly heat powder category, which is an increase of 121 basis points over the same period last year as per MAT December 2022 report of Nielsen.

On the dairy and spreads category front, Nutralite brand continued to deliver double-digit growth in both retail and professional segments for the quarter gone by. Nutralite DoodhShakti Probiotic Butter Spread was supported with digital and print media to drive awareness.

While Q3 is a seasonally low value quarter both in terms of revenue and EBITDA for us the coming two quarters will have high salience of the seasonal portfolio for which we have readied our manufacturing and supply chain network to ensure smooth and on-time supplies. We have taken another round of price increase across our portfolio by the end of third quarter. We expect that better mix coupled with appropriate price increases will help us to mitigate the inflationary impact on business. Thank you and we will now start the Q&A session. Over to the coordinator for Q&A!

Moderator: Thank you very much Sir! Ladies and gentlemen we will now begin the question-and-answer session. We take the first question from the line of Kapil Jagasia from Nuvama Wealth Research. Please go ahead.

Kapil Jagasia: Thank you for taking my question. Sir my first question is on Everyuth like in both scrubs and peel off have shown the market share gain this quarter after a long time I guess so could you elaborate on where we are gaining these market shares from and should we expect further gains in the coming quarters?

Tarun Arora: I think for Everyuth both scrub and peel off, which form the bulk of our business we have seen gain in market share especially over last five to six quarters and I think in over last three years our market shares have jumped substantially here. So the gains have largely come by growing the category we being the largest player in this segment and I think our endeavor is to grow the segment by doing that if some market shares also comes, but our focus is to grow both scrubs and peel off and being in the overall facial cleansing.

Kapil Jagasia: Sir, my next question is on Glucon-D like how the second summer season has panned out for Glucon-D as I guess even the winter was delayed this time?

Tarun Arora: We have invested on Glucon-D second season, we have not seen substantial lift as we would have expected and therefore Glucon-D numbers are muted and lower than what we would have expected, but I think it will be a long haul, there is a legacy of the brand which it sells in a way, we are still committed and will continue to build the second season, but I think it take longer, it is not going to be one season play so it has been lower this year than we would have liked to.

Kapil Jagasia: In terms of Complan how has it performed internationally like how much it contributes now to the revenues currently the international business and you had mentioned earlier about the target of 100 Crores revenue so is that still on track?

Tarun Arora: Our international business this year especially in last couple of quarters has been impacted especially on Complan because of supply issues in New Zealand in particular and demonetization in Nigeria, which is our largest market. So it has delayed our movement in that direction and we think now everything is sorted, we have seen our supplies because we had to change the third-party suppliers, now that is back on track, and I think our demand also is back on Nigeria. So it will probably be about couple of quarters behind that, but we should be on track otherwise. Also for 100 Crores we are also using Bangladesh to where we are setting up our third party and our subsidiary has been put that should help us push faster on that, and also build to a larger levels as we aspire to build our international business.

Kapil Jagasia: So, on this YTD FY2023 basis what would be the contribution from international business?

Tarun Arora: About 3%.

Kapil Jagasia: Could you help us with volume growth for the quarter?

Tarun Arora: It is a flat number on volume.

Kapil Jagasia: Thank you so much. I will come back in the queue for more questions.

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

Kaustubh Pawaskar: Good evening Sir. Thanks for giving me the opportunity. Sir in the initial comments you mentioned that you have taken price increase in the fag end of third quarter so what is the price increase you took in Q3 and what is the cumulative price increase in a year–to-date price increase you have taken into your portfolio?

Tarun Arora: Year-to-date till before this last price increase, we were about 7.2%. We have now starting for Q4, end of Q3 we have taken about 6.5% price increase, we expect at least substantial part about two third at least to flow into this quarter itself hopefully given there is a pipeline also, but that is what we have done.

Kaustubh Pawaskar: So that is what will help you to take your margins to the level of Q4 last year along with the mix what you are expecting to improve?

Tarun Arora: Absolutely that is what we are banking upon to do and we are working also on various costs management things so put together we are hopeful that should help us to get closer the last year run rate by end of the quarter.

Kaustubh Pawaskar: My second question is on Complan what is the contribution from lower unit patch for Complan now and since you have launched how the contribution has improved and whether it is helping you to penetrate deep into the rural markets or the towns because that is what the strategy being completed is focusing on so for us how it is helping you?

Tarun Arora: Every player will have a different strategy, but just to answer I think the category Nielsen reports about 26% or 27% share of sachets in the category. For us, this numbers Nielsen reports about 4% to 5% so we are behind the category, but we also want to participate in higher value consumers as we build our business and we believe because of our superior nutrition that should help us build right direction. We have focused also on, but it is not that we are not participating we are participating, but it will take some time to build rather than only discounting and the other thing we have done is we are focusing on building nutritional differentiation in our communication and working on distribution expansion and some organized channels to drive our market shares. Some of which does not get reported like e-commerce does not get reported in Nielsen numbers.

Company Speaker: If I can just comment. So I think the strategy for Complan will never be to go into the low-price architecture kind of product, but as a defense we will do that, but our plan is to grow

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the high value and high-volume products for Complan and that is something that we will focus on because of the better signs that the product offer.

Kaustubh Pawaskar: My last question is on the sugar free this quarter we have seen growth recovering so what has helped for the recovery in the Sugar Free brand and whether this will sustain in the quarters ahead?

Tarun Arora: I think we have been working on Sugar Free for largely getting new consumers, largely led by more on the Sugar Free Green. I think we have seen recruitment of some new consumers as reported by household panel and some of it through the optic growth that we have seen through Nielsen some of the new consumers is coming on-board and we hope this will sustain. So it is early days because the category was in a limbo. We have seen some improvement in the optics, we would want to keep building on this and see how it pans out as we move forward.

Kaustubh Pawaskar: Thank you.

Moderator: Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, after the price increase, have we now taken care of the entire RM inflation or there is some more to go?

Tarun Arora: Most of it has been absorbed. To my mind I think all products except for the milk, which is hardly Complan, which will also get managed by the mix as we go forward in the next few quarters.

Pritesh Chheda: In the nine month the 270 or 300 basis point loss in gross margin will recoup it with this price increase?

Tarun Arora: Yes, we believe so. There is a good chance, so we should be able to cover, we will see how the product mix also pans out exactly, but this is our plan.

Pritesh Chheda: You mentioned that there is 0% volume growth in Q3 when it comes to nine months is the volume growth closer to 5%?

Tarun Arora: It is more than that, we have at a YTD level 13.3% sales growth of which about 6% is value growth and remaining would come from the volume.

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Pritesh Chheda: Last year that is the first nine months you had some supply challenges with respect to the seasonal products is that addressed?

Tarun Arora: We do not have any constraint on supplies.

Pritesh Chheda: My last question is on the other expenses side, if you can give some color on the increase in other expenses on a nine-month basis?

Umesh Parikh: Yes, it is largely led by the wage revision at our plant in the Northern Eastern belt and also there are husk and other fuel cost increases in our one of the facilities in Uttar Pradesh.

Pritesh Chheda: So the wage revision will be in the HR costs or is it in the other expense?

Umesh Parikh: Other expense is labor charges so it forms part of the other expenses so it is workmen not on the payroll.

Pritesh Chheda: So this means right the elevated cost has to stay?

Tarun Arora: Yes, that becomes a minimum wage in that plant and it will stay we have taken steps to address this through other ways, but this will become the process.

Pritesh Chheda: Lastly for seeking your comment on that long-term EBITDA margin number that you had shared a few quarters back of about plus 20%, 21% maybe at times 22% where are we on that level?

Tarun Arora: I think I have addressed in last couple of meetings calls as well. It will take us at least couple of years before we can reach that number because the main reason being the inflation is extremely steep which affects not just the cost structures but also the demand and therefore even the operating leverage also becomes that much harder. So I think instead of trying to balance everything together or get everything together I think we should give it a two years' timeframe by which we should be looking at hitting our 20% EBITDA operating margin numbers that we are targeting.

Pritesh Chheda: Inventory in the system for seasonal product because yours is Q1 and Q2 heavy and now Q4 and Q1 so we have in the Q4 main season inventory in the system is normal or excess?

Company Speaker: Inventory in the system is as such normal except that during the first season when the milk price is little lower we try and inventorize the S&P over our Complan product so otherwise it used to be in a normal range.

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Tarun Arora: If I just want to add seasonal products go up at the season time but it is in sync with the sales plan, so otherwise they will look lower in the lower sales period, otherwise there is no unplanned or unexpected increase.

Pritesh Chheda: But you start stocking for your Glucon-D and Nycil in this quarter right?

Tarun Arora: Yes, we start building for the seasonal products and therefore they go up.

Pritesh Chheda: So there is no abnormality in the system as of now?

Company Speaker: No there is no abnormality in the system. It will be in line with the sales growth that we have.

Pritesh Chheda: Thank you very much and all the best to you guys. Thank you.

Moderator: Thank you. Our next question is from the line of Varun Singh from ICICI Securities. Please go ahead.

Varun Singh: Thanks for the opportunity. Sir how much would be distribution improvement compared to last year our distribution reach?

Tarun Arora: Our direct distribution has gone up from 5 odd lakhs a year back to about 6.1 lakhs and total availability in general trade as reported by Nielsen has crossed 2.5 million outlets.

Varun Singh: This number would be how much in same quarter last year 2.5 million total reach?

Tarun Arora: I think same quarter will not be comparable because one has to look at a longer period of time but we have tracked it was about 1.8 million 2019 so we have seen step-by-step this number from 2019 to now 1.8 million has come to 2.5 million in terms of total reach as reported by Nielsen.

Varun Singh: What I was trying to understand is given that there has been a decent improvement in our efforts to enhance the product availability to do distribution by increasing distribution reach and 7% price hike why we think that volume growth has been flat?

Tarun Arora: Therefore, these things play over a longer period of time so if you look at YTD our growth rate is 13.3 in a very muted market it is about 6% plus volume growth and our market shares are at five-year high which means that despite our significant premium pricing across our portfolio we are able to grow our market shares ahead of competition, which is a proof

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point of the fact that our actions are working. I think if the market opens up the demand pulls up, I think you will see a disproportionate outcome coming in our favor. So it is just not one quarter but I think YTD will reflect this whole impact of our actions.

Varun Singh: Yes, right, understood, but if we have to explain for the current quarter how should we read the flat volume growth number?

Tarun Arora: I think couple of categories while they are very small like Glucon-D and Nycil we have seen reduction in numbers now these things they are immaterial from an annualized basis but for the quarter we just pull down growth which may come from other products and therefore it is hard to look at them only on a quarterly basis but that is how the numbers play out to a couple of other orders also which may not have come but I think it is reflection of the overall demand situation of the market that we see but I think annualized YTD will reflect a true picture of how we are doing on this.

Varun Singh: Gross margins we said that we should be able to be at a similar level compared to same quarter last year so is this number possible given that there is continued inflation in milk prices?

Tarun Arora: We are quite hopeful, we are working on that, we made a plan for that, and let us see if we can get our way through but that is really what our plan is currently.

Varun Singh: My last question is on Complan so in the presentation we mentioned that the intensity of market share loss that has come down significantly so what are the reasoning that you attribute for this reduction in the intensity of market share loss and when should we expect this to start growing and also if you can talk about the category at large?

Tarun Arora: I can quickly tell you that the category has been reporting for several quarters now a negative growth which is not fully explainable but it is a fact that the category has not grown. Some of our actions seem to have given us positive results last quarter where we have seen a positive turnaround both in market shares and in our growth levels we have to just sustain now going forward ahead of the category two or three actions that have really worked for us is that we have been very disciplined in our focus on communicating to the consumers on the benefits of Complan we have focused on distribution expansion and we have also managed to respond to the market pressures of while the competition had reduced prices dramatically we have been able to balance without coming in exact matching that but some price points on the pouches that we launched at 450 gram which was matching some of those by competing at a right price points which has helped us. We also try to play the sachets but that is a small play and I do not think that is shifting anything but largely I think a concerted action in the right direction like I explained, distribution, right brand promotions, and price architecture is really helping us hold on. So, as of now in this negative environment we would rather play Complan for hold and grow other market shares rather than just try to play our aggressive game here.

Varun Singh: You also made a mention that we are building a different nutrition USD in Complan and we shall start communicating the same to customers so how are you thinking about the spend of resources so aggressive, moderate, super aggressive, how are you thinking about advertisement spends?

Tarun Arora: I think what we are doing is in the post remarks we have focused on Complan at overall growth which is not just a fiscal growth that we stood for but also around it growth with a stronger memory and concentration that is one thing we focus and that communication is happening and the second thing that we have clearly differentiated is superior protein presence versus the other products in the market, between these communications and I think there is a improved traction on the value that Complan provides to the consumers and I think that is an ongoing exercise and that hopefully some of the results are being attributed to and you see if it continues to build in this direction.

Varun Singh: Understood Sir. That is it from my side. Thank you very much and wish you all the best.

Moderator: Thank you. Our next question is from the line of Disha Seth from Anvil Shares. Please go ahead.

Disha Seth: Good evening Sir. Sir can you give us how much category contributes to our sales like how much is Complan, Glucon-D and what is the margin contribution as a proportion of the margin?

Tarun Arora: Sorry we could not disclose these numbers.

Disha Seth: Even the proportion of sales?

Tarun Arora: Not really.

Disha Seth: When you said the gross margins can be same as last Q4 FY2022 and in Q3 this current Q3 the quarter gone by the gross margins were around like 43.5 and as we say last Q4 it was 50% so we are expecting quarter-over-quarter 7% increase in gross margin because of the price hike and the volume growth which we are expecting?

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Umesh Parikh: That will be held by the price hike as well as the product mix.

Disha Seth: So we are expecting a 7% jump in gross margins over a quarter that is what we are planning?

Tarun Arora: That is what we are working towards and the thing that we should come fairly close to it is the right words with you we believe we can get that. We have a plan in place and we should be able to get there.

Disha Seth: Secondly with our primary sales going for the season Q4 what kind of sense in Q3 we are a flat volume growth because of seasonality what kind of volume growth are we thinking for this coming quarter?

Tarun Arora: I think over next few quarters we do not give a quarter-by-quarter guidance, but I can tell you that our plan is to drive volume growth over next four quarters about high single digits at least if not more depending upon how the demand situation shapes up and that is how we work towards but there is no specific numbers.

Disha Seth: We are trying for that, and plus our price increase of 7% YTD plus 6% which we took at the end of Q3 so that will be 13% plus the highest number so we are looking at a 20% value growth overall for…

Tarun Arora: Not really the 7% was taken last year similar time so I do not think we can take that becomes a base going forward.

Disha Seth: Sir, you said 7% YTD right?

Tarun Arora: Yes, 7% YTD because it was taken in Q4 last year.

Disha Seth: Going forward over next three years with our distribution network going very strong when can we achieve the 20% margin if I have not missed that question?

Tarun Arora: Yes this is addressed earlier but let me just repeat I think given the inflation and the demand situation I think it will take us at least couple of years before we can get to those numbers I think right now we are managing this basis of what the current situation.

Disha Seth: That is it from my side. All the best Sir.

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Moderator: Thank you. We will take our next question from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: I wanted to understand what is the net debt as of December 31, 2022?

Company Speaker: Net debt as of December 2022 is 250 Crores.

Keshav Garg: In your judgment when will the company turn a net debt free?

Company Speaker: By end of next financial year a month before that even or maybe next quarters or four to five quarters we hope to get that.

Keshav Garg: If we see that on a market cap to sales basis this is probably the lowest level that our stock is trading and since demand is also subdued and the margins are also under pressure and valuations also are on the lower side resultantly so this might be an ideal time to do a share buyback and reduce the number of shares permanently so what are your thoughts on the same?

Company Speaker: We will take your suggestion and share with the Board.

Keshav Garg: Are you seeing any kind of overall basis if we talk any improvement in demand on a quarter-on-quarter basis in 2023 year that we are in right now?

Tarun Arora: We are quite hopeful the demand will improve there are several places where we have seen green shoots but I think let it shape up I think that is the time we will have to share we do hear from several experts that it is improving but let it fully shape up again.

Keshav Garg: Lastly the whole portfolio that we acquired few years back we are continuing with all the brands and all the verticals that we bought over or is there no plan to rationalize the same and maybe sell some of the non-core brands in which we are not the market leaders and maybe it makes sense to focus our management bandwidth and efforts on the focus brands wherein we are already the market leader?

Tarun Arora: I think we do not believe that we have any management bandwidth challenge. All the brands with the exception of Complan is a market leader and we have been able to converge also one of the byproducts subbrand Sampriti also under Nutralite umbrella and therefore it has become larger and more meaningful. On Complan we have already talked about it, it is a little bit longer haul we are looking at hold and built so it may take some time but we do believe there is good potential to build that as well. So right now there is no specific case in front of the management and Board to rationalize, there is a fair number of opportunities for the business to look at building a sizeable Zydus Wellness for future.

Keshav Garg: Great Sir. Thank you very much and best of luck.

Moderator: Thank you. Our next question is from the line of line of Priyann Bhatia from Anand Rathi. Please go ahead.

Priyann Bhatia: Thanks so much for the opportunity. Just wanted to know when can we see stabilization in the Complan market share and the revival in the growth?

Tarun Arora: I think we have already seen at an annuity level of course it is practically stable over last quarter, but on a month-to-month level we have seen over the last four, five months what was actually going down has last five months we have seen an increase and that is why we are positive about it, we have also seen a growth internally for the quarter on Complan while Nielsen continues to report negative growth for the category. So I think it is early days the biggest challenge for us to deal with this is that category has been degrowing and the only source of growth for the category has been low unit price tax which we under participate given the profit pools being lower in that part of the market. So I think we remain conservative in our approach and hope to remain positive growth but not an aggressive growth I think we will build step-by-step and focus more on hold at this stage on Complan rather than take very aggressive stances on it at this stage till things stabilize.

Priyann Bhatia: Also I wanted to know the outlook on the volume growth given that there has been like a flat growth in Q3 and a really weak rural demand so needed a little bit more outlook on the volume numbers?

Tarun Arora: There is a lot of debate on growth generally I think the market is muted and it is not a larger question mark any which ways, for us and for anyone I think given the volatility of the overall situation and the category wise play I think it may be better to look at our YTD numbers or a moving averages to see our growth which give you a better perspective given this volatile situation so for us nine months 13.3% and a volume growth of about 6.0% makes us feel more confident we are hopeful that we will have this momentum over next three to four quarters as well unless the demand moves up substantially.

Priyann Bhatia: Thank you so much.

Moderator: Thank you. Our next question is from the line of Mayur Parkeria from Wealth Managers. Please go ahead.

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Mayur Parkeria: Good evening and thank you for taking my questions. Two questions from a little longer from a perspective you partly try to address that but I wanted little more longish view there. Post our acquisition of the earnings portfolio in the full year and the COVID took place then there has been rise in inflationary situation, you also had mentioned earlier in the presentation and the comments that some downtrading has been happening supply chains have been so a lot of I will say market has been intervening in a certain ways but in a steady state now what do you think probably reasonable gross margin to expect given product mix on an annualized basis over the next two, three years assuming a steady state what we think could be a good gross margin we could expect?

Tarun Arora: I think it is a tough point to handle because we do not want to give you a very specific answer, but what I can tell you is given the inflation one is always responding to inflation given there is a demand volatility which comes along with that assuming that the price is stabilized I am not even saying go down, but even if they stabilize at a current level we expect 3% to 4% improvement in our annualized gross margins, but that is really our plan and with the right product mix we can do that, but I think I do not want to commit too much.

Dr. Sharvil Patel: The right answer for this is that we would like to go back to our original gross margins which was 50 plus and ideally with the portfolio we have our aim is to grow profitability and if we want to improve our EBITDA margins it has been only led by gross margin expansion and the right product mix so that would mean that we will have to grow our gross margins if we want to achieve that number so that is definitely the plan to continuously improve the gross margins once we see some stabilization on inflation.

Tarun Arora: Yes, absolutely.

Mayur Parkeria: There is some break in the voice but did I hear you right that you said go back to 50% plus gross margin right this is what you said?

Tarun Arora: Absolutely that is what he said.

Mayur Parkeria: Thank you for that and second question was also similarly given the product mix we are category leaders in some and most of our products and we are creating also demand in certain and most of the products except the health, food and all so given that situation do you believe that now also when the market has been muted we have delivered 6.5% volume growth do you believe that over a three, four year period we could do volume growth of double digits on a component basis given the strength which we have and efforts which we

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are doing we believe that on a one year one can go down based on market is muted rural not doing well or some which way but do you believe that we can do double digit volume growth on a three, four year basis in a steady state market given the product mix?

Tarun Arora: We are looking at growing double digits over next three to four years in a steady state market and our focus remains on volume led growth because five out of six brands are actually we are market leaders so our task is really to grow penetration and increase consumption and that will happen when we get new consumers drive volume led growth and get new consumers in. So our belief is and our actions are also in place to drive a double-digit growth largely led by volumes and therefore we are in that thing but again the inflation plays a role in terms of balancing some of these factors.

Mayur Parkeria: Which product should actually drives this kind of double date at an overall level just as a qualitative basis which you believe is a more potential compared to any other ones?

Tarun Arora: I think across our portfolio there are opportunities for each of the brand to contribute to this double-digit we believe there is a good reason for each one of them, we also work from a both restaging, renovation of our existing portfolio or addition wherever we see there is a reason to attract new consumers around the extensions so each of these brands have the possibilities of, not just possibilities have a good potential to get the double growth opportunity.

Mayur Parkeria: Last maybe technical question last one from my side in the sweetener and in the neutralized segment and also maybe I do not know the Everyuth presents that opportunity do we have a B2B business proposition and if so what would be the share and how do we see that?

Tarun Arora: We have a B2B business on two fronts actually one of them should not be the CSD while the transactions are B2B but it is actually a branded consumer play. The real B2B business is food service which caters to the food operators and we service them Nutralite as a brand has a substantial portion of that business more than 60% of that brand serves that consumers for food service, Sugar Free also participates in this business both from backend kitchen usage as well as for some of the café's and QSRs buying the sachets around it. So we do see a good opportunity and we are building our portfolio to have more meaningful play in that part of the business and driver our growth profitably.

Mayur Parkeria: Everyuth presents a situation the way it is organized situations are growing up and pricing pressure consumer is ready to spend on like do you see that as a play or you will want to remain a B2C over there?

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Tarun Arora: We remain B2C on Everyuth we will explore but we will not organize yet on B2B player on Everyuth we will explore going forward if there is some good value opportunity there on B2B.

Mayur Parkeria: Thank you and wish you all the best.

Moderator: Thank you. Our next question is a followup from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, I have just two followups, one when you were initially giving your commentary on the Sugar Free portfolio I could register overall Sugar Free how much did it grow for us in the nine months?

Tarun Arora: We do not share internal numbers from an optic point of view at MAT it is…

Pritesh Chheda: What you mentioned Sugar Free substitute was flat growth and when you said Sugarlite and Sugar Green is 12% of the category so what is the category growth rate then?

Tarun Arora: So the category has had a flat for a MAT level while last quarter normally we do not share quarterly numbers from optic but just to give you a sense of things are turning around we said that last quarter the optic growth has been positive that is really what we reported. At our MAT level however it is still flat because it was declining earlier as reported by IQVIA and now it is seeing a positive movement.

Pritesh Chheda: Nine months?

Tarun Arora: MAT level is what we have that is how we report on Nielsen. MAT is 12 months flat last quarter it was positive and when we shared 13% it was showing that in the overall sweetener the Sugarlite and Sugar Free Green have contributed to a 13%, which is a new products, which is helping us recruit new consumers in the sweeteners portfolio.

Pritesh Chheda: On the taxation side what will be the taxation for the 2024 and 2023 is zero, 2024 and 2025?

Company Speaker: 2024 is also likely to be zero and up to 25, 2025 maybe zero or maybe some marginal increase in the tax.

Pritesh Chheda: Okay thank you very much Sir.

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Moderator: Thank you. Our next question is from the line of Kapil Jagasia from Nuvama Wealth. Please go ahead.

Kapil Jagasia: This is just a followup from previous participant. Regarding this downtrading from rural markets how are we here right now has the downtrading resolved or you have seen further downtrading this quarter so just some color on this?

Tarun Arora: I think while the whole category is all multiple categories see downtrading we have seen some of these are positive for us for example in Everyuth any sachet sales really good for us so far. I think the Complan the growth is largely coming from the LUP which our participation is relatively less, but overall category is showing a negative 2% growth.

Kapil Jagasia: This would be specific to only Complan like Glucon-D no downtrading seen in rural markets?

Tarun Arora: Not yet.

Kapil Jagasia: Just one bookkeeping question from my side reason for decline in employee expenses this quarter?

Tarun Arora: Largely on one largest impact, largest reason being that our Sitarganj facility that we had stopped at the end of Q1 I think that some of those benefits are fully accrued and captured in this and we can freeze that further but those are non-material in nature.

Dr. Sharvil Patel: Kapil downtrading is on the category we did not say downtrading on Complan the whole category the scale structure is changed for Complan.

Kapil Jagasia: So just specific to this like employee expense the entire benefit taking this quarter nothing would be carry forward next quarter?

Umesh Parikh: It is going to be a kind of recurring saving so once that gets reflected we have closed on our operations somewhere in the month of June after that the benefit which we had has been fully approved in this quarter. So next quarter also we will see that kind of gain in the employee cost most of that gain coming through in the employee cost.

Kapil Jagasia: Thank you so much.

Moderator: Thank you. Our next question is from the line of Anuj Ramachandra from ANP Investments. Please go ahead.

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Anuj Ramachandra: My perspective as you guys are doing really reasonably well in the present market situation I only have one question with respect to the long-term perspective, I know you guys have set a steep target of 5000 Crores to reach that revenue target of 5000 Crores, but the only question that is bothering me is how are we going to reach, is it like with the present categories or with any, so whether Nutralite going to be a substantial contributor going forward or is it Everyuth or is it the present Glucon-D, Complan and Nycil?

Tarun Arora: Each of our brands have a good double digit growth opportunities and we are building on each one of them, some of them are already displaying on a consistent basis, some of them have been slightly behind, but I think over next three to four years I have no reason to believe that any of the brands will falter on that on a medium-term basis and therefore I think it should take care of, it is not just one band but the entire portfolio which should help us get to a double digit growth.

Anuj Ramachandra: But the question is from 2000 to 5000 Crores is it like achievable or is it how has it been set as a target?

Tarun Arora: I think we are looking at a good double-digit growth as we go forward. There may be some other opportunities which may be added on as we go along but our own internal and something that I will focus for this conversation will be largely around organic double-digit growth you should help us push it together as we move forward that should help us really push.

Anuj Ramachandra: With respect to the e-commerce do we have a dedicated digital marketing team in our company or is it the marketing team only handles the digital marketing also? The question is basically with respect to when we see the traction recently we released this Everyuth moisturizing lotion I do not see any traction about it on the e-commerce platforms because we see Complan doing quite well actually on e-commerce though it is lagging behind on offline modes Complan seems to be doing quite well since other categories we are category leaders, Nycil is okay but Everyuth seems to be slightly lagging behind on e-commerce and also where there is a huge potential?

Tarun Arora: Let me just address the first part. So almost for five years we have a dedicated person for e-commerce much before we acquired Heinz and we have been able to therefore use this capability which we bit ahead of the curve in integration of Heinz portfolio as well and therefore there are two parts of digital one is the digital communication brand building which is across multiple platforms like search, videos, etc., YouTube, programmatic work that we do as well as the fulfillment which is the sales part of it e-commerce where we have

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a dedicated team who work very closely with some of these accounts and that is why typically our market shares are equal or ahead of our general trade market shares on across platforms. Some of the new categories and it just shows that you are really tracking us closely that like you mentioned Complan we are doing well and it is actually our market shares in some of these platforms are ahead of our general trade shares some of the new categories become harder or more expensive on some of these new platforms because these platforms negotiate or bargain much harder and you do not see right value there and you want to wait to build it in the other market so it is a call which we may take at a channel level how we want to play looking at the returns we are getting and the value that channel may be providing but we have a dedicated and a very capable team which we believe will help us build our shares and our scale of our business in these platforms.

Anuj Ramachandra: Thank you.

Moderator: Thank you. Our next question is from the line of Selva Muthukumar an individual investor. Please go ahead.

Selva Muthukumar: Sir, my question regarding any further plan to expand our Nutralite portfolio to international market, how much revenue from three to five years from here on can you throw some color on this?

Tarun Arora: The two biggest drivers for international market remains on Complan and Sugar free franchise we have taken some optimistic or some good possibilities around Nutralite, Glucon-D and Everyuth in the international market, but we do not have a specific number to share with you, but we are looking at mark-to-market there is good possibilities in limited markets, but the lead will remain around Sugar free and franchise in Complan which we have seen good value from our international market. As we speak today we are also dynamically managing this portfolio and reaching some our innovations respond better. So there may be something which comes up will obviously be happy to share.

Selva Muthukumar: Thank you. So what about the Immunovolt recent product launches from Immunovolt can improve what kind of product mix Immunovolt and Nycil Body Mist can you throw some color on this two products?

Tarun Arora: So quickly responding Immunovolt I think right now the market shares in the candy part of the energy or the glucose tablets as it is called by Nielsen our market shares moved from a single digits to 20%, 25%, 26% but after that I think it is also now we need to build the category so it is going to take a little bit of longer time but I think we are now playing at

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least in the mainstream we are looking at can we leverage the confectionary part of the market and build this bigger it is a bit of medium-term haul not a quick win. As far as Nycil Mist is concerned I think we launched in the midst of a COVID season so we have had a little bit of challenge we are looking to reevaluate this and we will share more details in the coming quarters as we go along.

Selva Muthukumar: What about the key input material Aspartame or DMH's price is increasing or decreasing what kind of strategy if you are planning to hedge on this specifically to Aspartame?

Tarun Arora: As far as key input material Aspartame and DMH is concerned we have been able to pass on all the price increases and our margins are going to be equal or higher than the past.

Selva Muthukumar: Thank you, thanks a lot Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to the management of Zydus Wellness for closing comments. Over to you Sir!

Tarun Arora: Thank you. I think in this volatile and difficult and inflationary environment I think we have been able to hold ourselves well, but the key task for us remains on two fronts to continue driving a double-digit growth for the year and we are committed to it. We are also very focused on building a positive momentum around profitability, which has to start more at a gross margin level flowing down to EBITDA and that is really what our commitment over next few quarters will be to work towards and hope to see you in the next quarter. Thank you very much.

Moderator: Thank you members of the management. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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