

# Q2 FY24 Earnings Presentation

November 6, 2023



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# Agenda

**Zydus Wellness:**  
A leading  
Consumer Wellness  
Company in India



Financial performance – Q2 FY 24



Operating environment- Overview



Brand Highlights



The Road Ahead



**Financial Performance  
&  
Operating Environment - Overview**



## Operating environment stable, challenges due to lag in demand revival

01



### Uneven weather patterns

Delayed/uneven rains across key states impacting offtakes

02



### Moderation in commodity rates

Commodity rates continues to moderate sequentially during the quarter

03



### Slow demand recovery

FMCG demand recovery slower than expected  
Rural still lagging behind

04



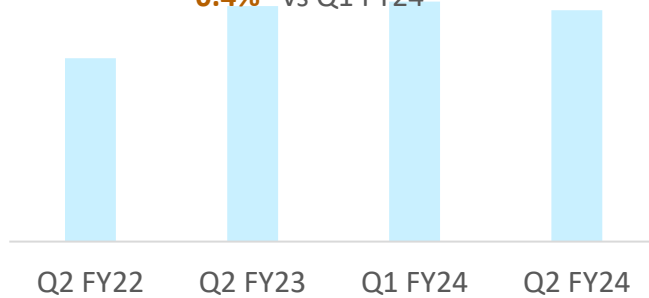
### Global Macro economic factors

Currency devaluation, rising inflation impacting the purchasing power in some of the economies

# Sequential moderation of key input rates helping steady recovery of Gross Margins

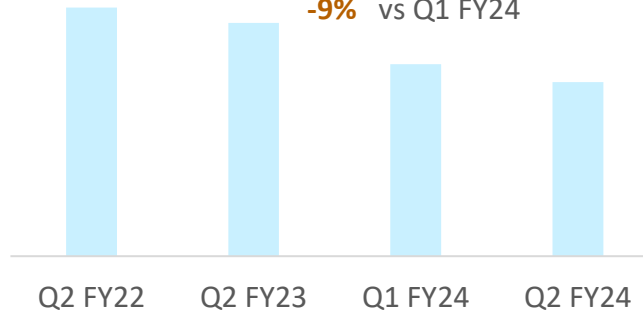
## Milk

**+26%** vs Q2 FY22  
**-2%** vs Q2 FY23  
**-0.4%** vs Q1 FY24



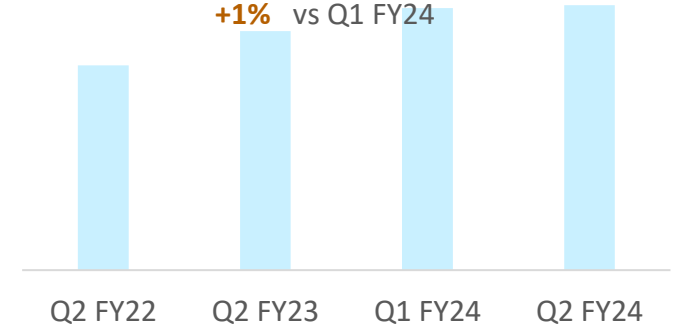
## RPO\*

**-30%** vs Q2 FY22  
**-25%** vs Q2 FY23  
**-9%** vs Q1 FY24



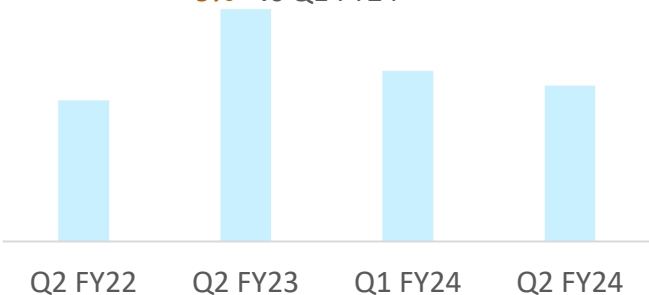
## DMH\*

**+29%** vs Q2 FY22  
**+11%** vs Q2 FY23  
**+1%** vs Q1 FY24



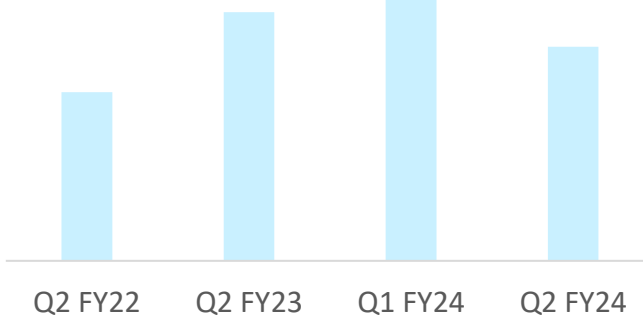
## Aspartame

**+10%** vs Q2 FY22  
**-33%** vs Q2 FY23  
**-9%** vs Q1 FY24



## Stevia

**+27%** vs Q2 FY22  
**-14%** vs Q2 FY23  
**-19%** vs Q1 FY24



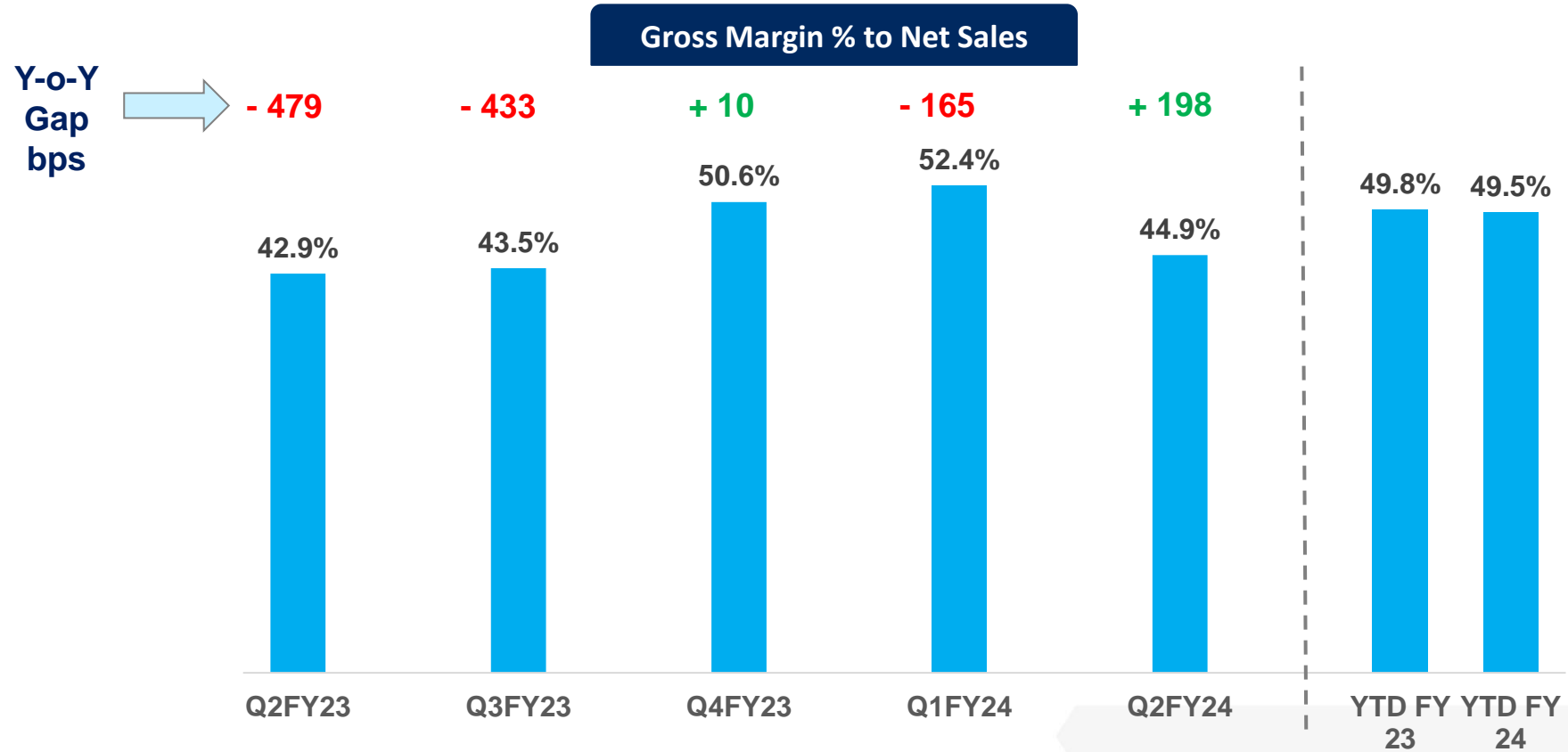
- Gross margin of non-dairy portfolio continued to improve
- Elevated price of milk continues to partially impact dairy portfolio's gross margin

\*RPO- Refined Palm Oil, DMH- Dextrose Monohydrate

## Gross margin recovery with right actions...

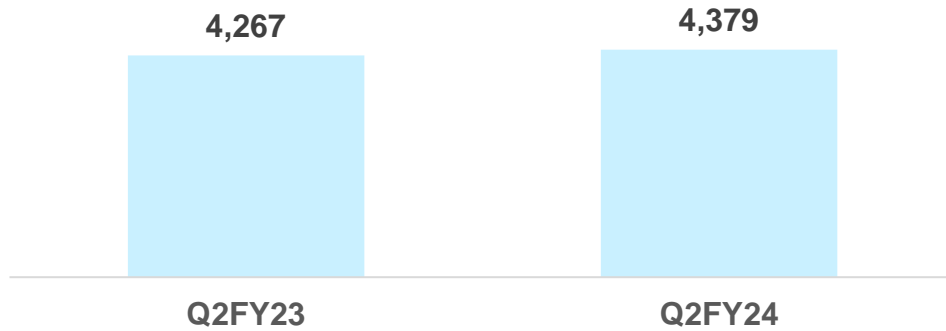
Continuous efforts to improve gross margins with calibrated price increases across portfolio at appropriate time without compromising on growth

Moderation of key input prices aiding gross margin recovery



# Segment performance snapshot

## Net Sales (INR Million)



Y-o-Y Gr. On Net Sales

2.6%



\*Q2 FY23 Net sales includes the sale of Sugarlite

## Food & Nutrition



Sales Growth Y-o-Y

-0.4%

## Personal Care



Sales Growth Y-o-Y

17.5%



## Financial Highlights for the Quarter

	Q2 FY24	
	INR Million	YoY Growth %
Net Sales	4,379	2.6%
Total Income from Operations	4,401	2.5%
Gross Contribution	1,989	7.0%
EBITDA	168	3.7%
Reported PBT	86	4.9%
Reported PAT	59	-30.6%

- ❑ Gross margin on net sales was at 44.9% (+198bps YoY)
- ❑ PAT was down mainly on account of deferred tax liability on non-cash items

# Business Highlights

**Zy<sup>+</sup>us**  
**Wellness**

# Leaders in 5 out of 6 categories



## Strengthen “Energy” credential with new launches

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



## Strengthening core through Relaunch of the Brand

- Focused on scientifically proven claims on memory and concentration and enhanced chocolate taste
- With 63% more protein than regular health drink



## Replacing sugar in all forms of Consumptions

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



## Doubling each year after launch

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



## Growing Faster than Market

- Scrub Volume market share from 34.8% in 2018 to 42.8%\*
- New launches in previous years – Body lotions and Aloe Gel



## A Leader getting stronger

- Market leading brand with heritage of over 65 years
- Strengthening leadership with Volume market share from 29.6% in 2018 to 37.0%\*



## Building ‘Dairy + Spread’ portfolio

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

\* As per MAT September 2023 Nielsen report

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

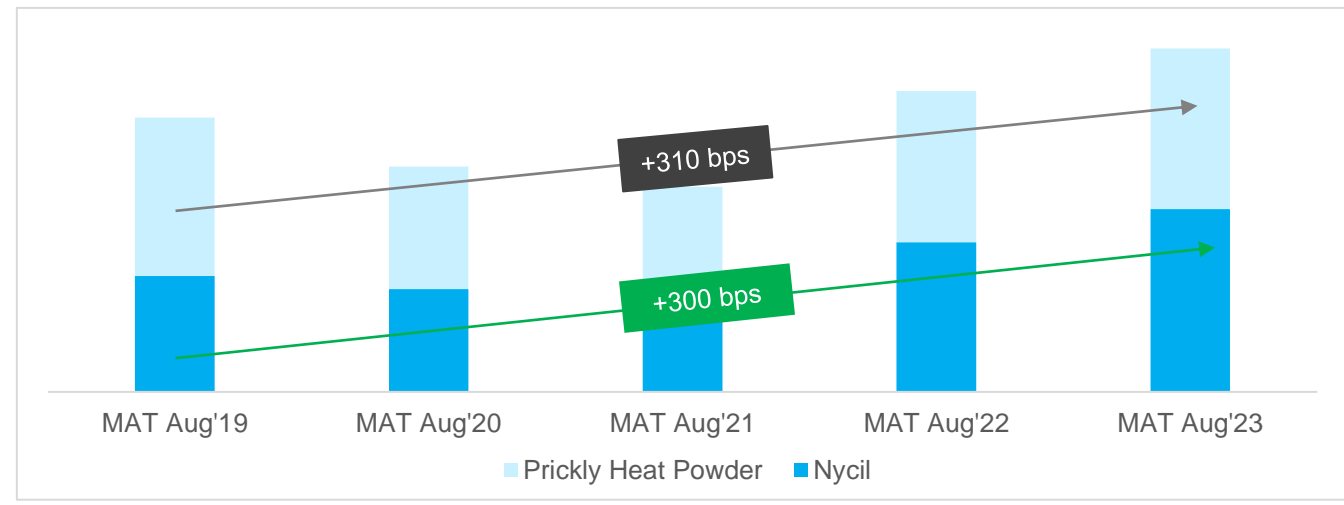
# Building sustainable business performance



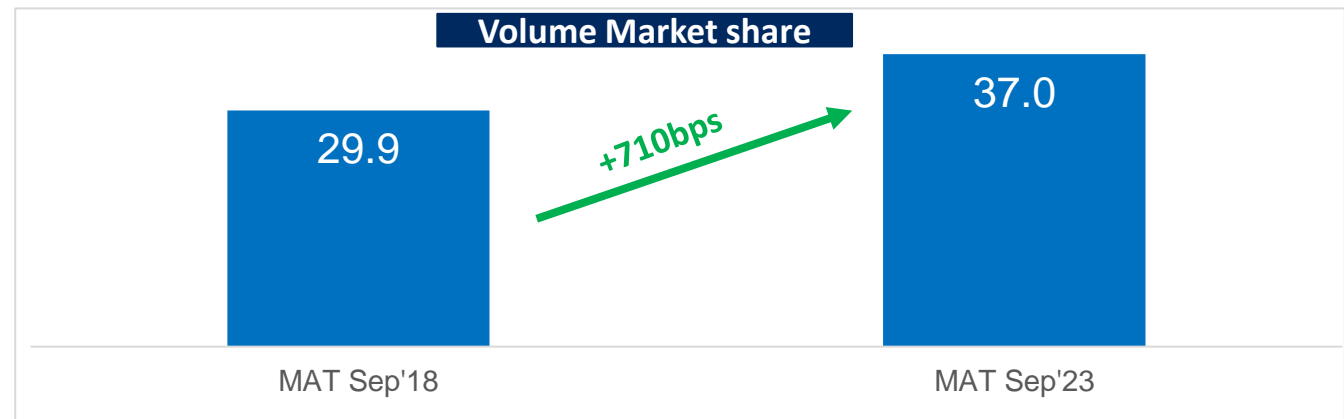
# Driving the category growth



## Driving the prickly heat powder category penetration#



## Driving continuous volume growth\*

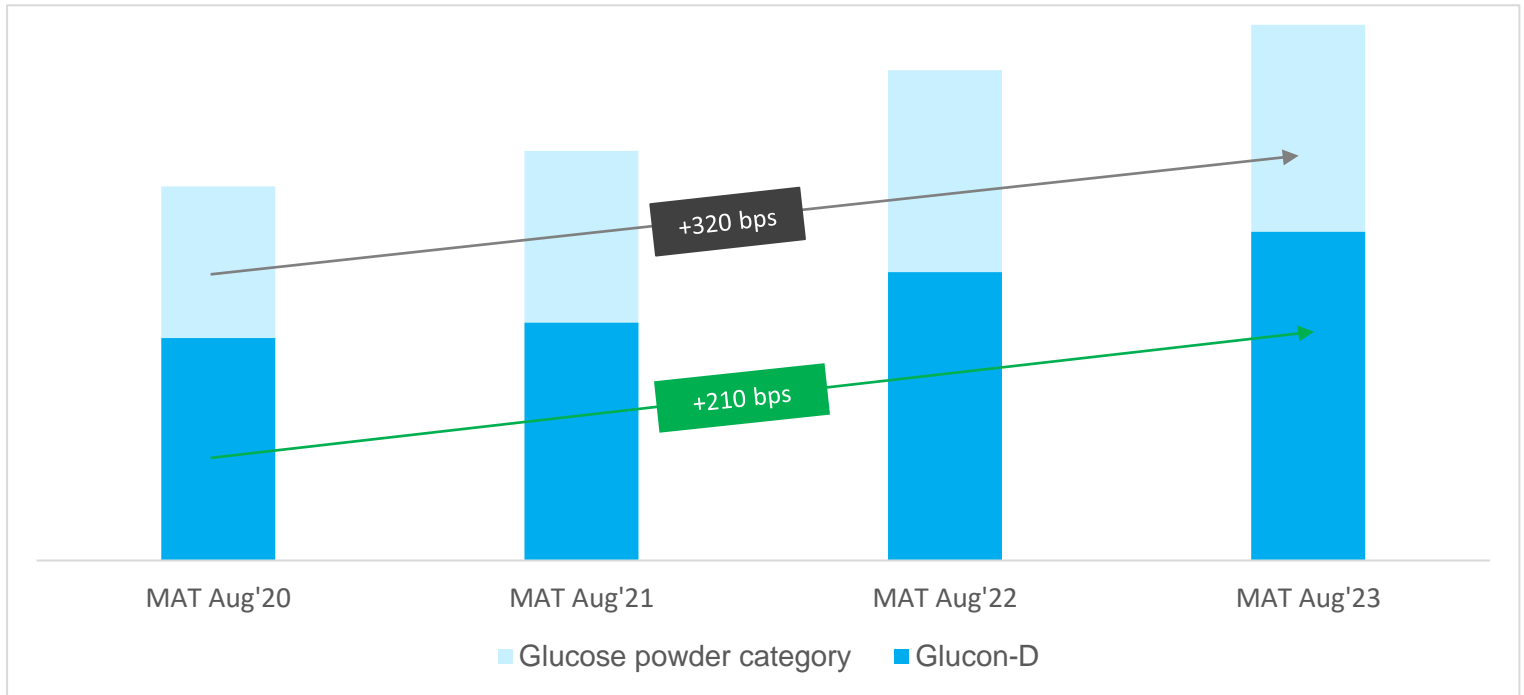


\*As per MAT Sep 2023 Nielsen report  
#As per MAT August Kantar World Panel Household data

# Driving the category growth



## Driving the Glucose powder category penetration# Consumption impacted due to erratic weather



\*Creative visualization. Glucon-D does not contain any fruits. Fruits are for creative depiction. \*Contains Glucose. Glucose is an instant source of energy. #Vitamin C helps support immunity. Glucon-D flavour variants are a rich source of Vitamin C. They contribute to min. 10% of Adult RDA (ICMR-2020) of Vitamin C per serve, when prepared according to the label instruction. #Vitamin D2 helps support immunity. \*Glucon-D regular is a rich source of Vitamin D2. Per Serve Vitamin D2 contribution: 17% of Adult RDA (ICMR-2020). Refer individual pack for more information. \*Registered Trademark.

# Driving the category growth



## Driving market share

- ❖ Widening the portfolio basket
- ❖ Driving double digit growth at 3 year CAGR<sup>^</sup>
- ❖ Superior product offering along with strong campaigns focused on recruiting new users
- ❖ Scrub continues to strengthen its leadership with growth in volume market share<sup>\*</sup>



- ❖ Peel off maintaining its number one position with a volume market share of 78.6%\*, +80bps YoY\* in the Peel off category



\*As per MAT September 2023 Nielsen report

<sup>^</sup>Basis internal sales for Apr-Sep

# Winning in Competitive Market



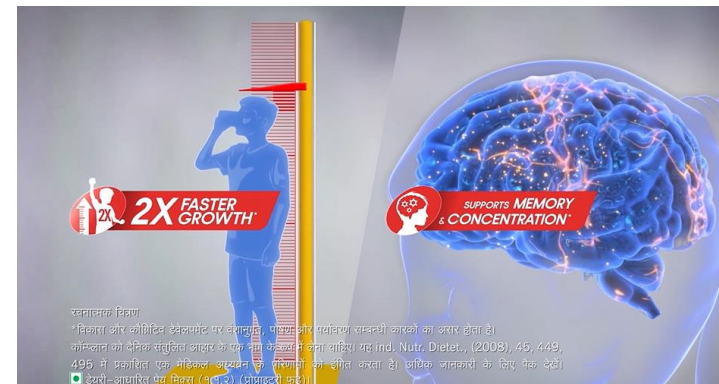
Growing faster than category

❖ Penetration<sup>#</sup> continues to grow for 3 successive years



❖ Volume offtakes\* continue to grow ahead of the category

❖ Growth driven by stronger campaign with 360-degree activation and price pack architecture interventions



\*As per MAT September 2023 Nielsen report

#As per MAT August Kantar World Panel Household data



# Winning in Competitive Market



## Consistent strong volume growth

- ❖ Widening the portfolio basket
- ❖ Consistent double digit volume growth<sup>^</sup> in 9 out of last 11 quarters driven by a wide portfolio and supported by focused B2B and B2C teams
- ❖ Continued to support the brand with digital media, e-com channel activations and consumer sampling initiatives

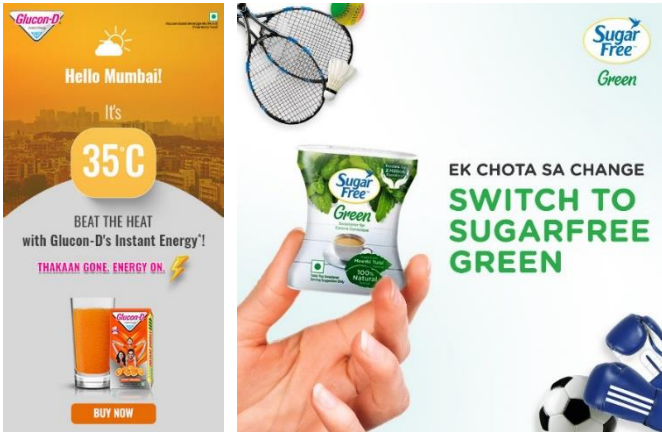


<sup>^</sup>Basis internal sales

# Building relevance to new age consumers

Efforts to leverage changing shopper behavior and target new age consumers fruitful

## 1 Channel specific innovative marketing initiatives



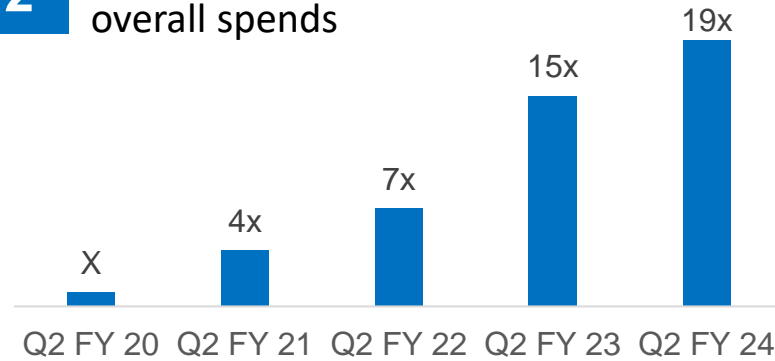
API based weather Ads

Moment marketing – relevant ads to cohorts



World's 1st ever cookery show on Metaverse

## 2 Increasing digital spends^ ahead of overall spends



## 3 E-commerce exclusive packs & launches

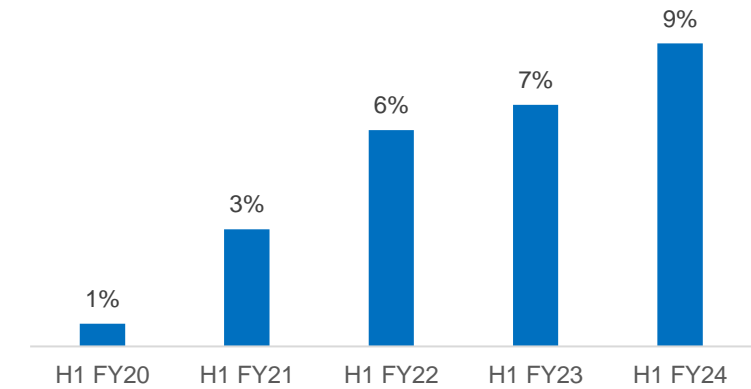
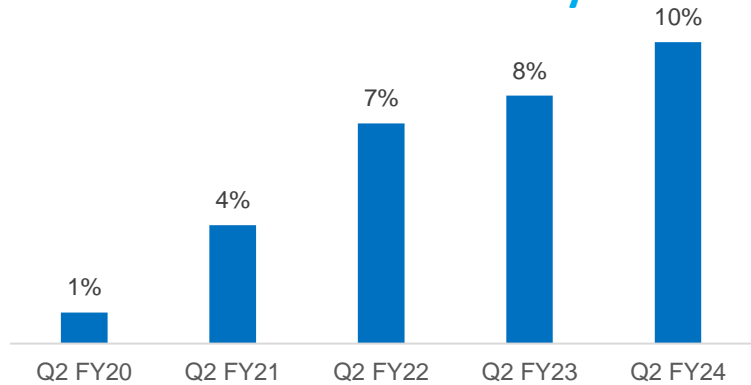


225g Powder Concentrate

400g Powder Concentrate

SF D'lite Chocolate range

## E-commerce saliency^



^Basis internal company data

# Navigating Challenges



## Offtake continues to get stronger








- ❖ Sugar Free has maintained its number one position with a value MS of 96.1%\*, +50bps YoY\*
- ❖ Despite WHO report on safety concerns related to use of Non-Nutritive sweeteners, offtake\* continues to grow for Sugar Free
- ❖ Driven by new campaign and distribution expansion, Sugar Free Green continues double-digit growth^ since last 10 quarters. Contribution to Sweeteners business has grown to 7%^
- ❖ Ongoing legal case on Sugarlite regarding trademark issue put supplies on hold for entire quarter impacting growth for overall Sweeteners portfolio



\*As per MAT September 2023 IQVIA report

^Basis internal sales

# Continuing to strengthen brand leadership

										
Category	Glucose Powder	HFD	Sugar substitute	Blended Sugar	Prickly heat powder	*Facial cleansing	Scrub	Peel-off	Fat spread	Dairy
Mkt. Rank	1	5	1	NA	1	5	1	1	1#	NA
Mkt. Share %	60.0	4.4	96.1	NA	35.2	6.1	43.4	78.9	NA	NA
MS change YoY (in bps)	↓ -2	↓ -23	↑ +53	NA	↑ +19	↓ -39	↑ +162	↑ +75	NA	NA

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

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

# Market rank as per company estimate

# Campaigns during the quarter (1/3)



## Vernacular KOL led videos



## Driving consumption of Sugar Free Green “Chhota sa Change”



# Campaigns during the quarter (2/3)



## Chef Sanjeev Kapoor Recipe Videos



## Influencer Recipe Videos



# Campaigns during the quarter (3/3)



## Campaigns of Nycil Talc and Body Mist



स्किन प्रॉब्लम्स\* का स्प्रे!

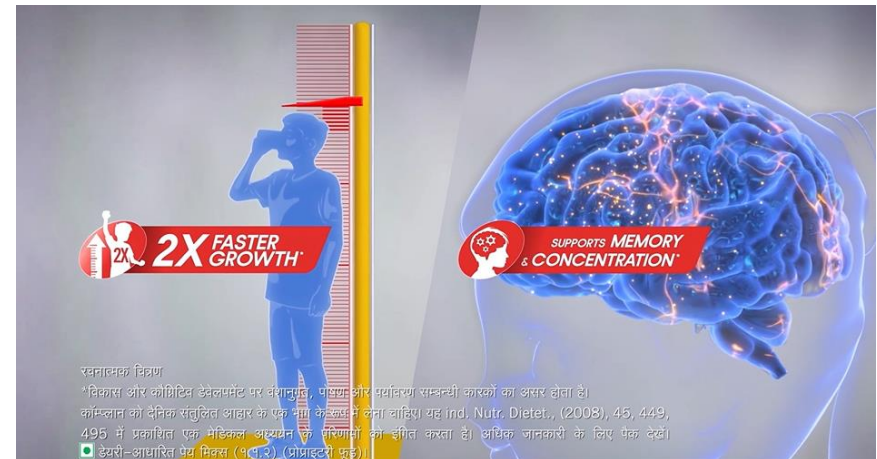
3 साल से कम उम्र के बच्चों के लिए इस्तेमाल न करें। अधिक जानकारी के लिए पैक देखें।  
\*त्वचा के रेशस, एलर्जिस और घमौरियों के संदर्भ में।



## Campaign on Complan protein superiority



बच्चों के मॉल्ट आधारित प्रमुख ड्रिंक से तुलना 63% अधिक (प्रति 100 ग्राम - पैकड युलाई, '23)  
बच्चों के मॉल्ट आधारित प्रमुख ड्रिंक से तुलना, कॉम्प्लान के प्रत्येक सर्व (33 ग्रा) में 4.98 ग्रा अधिक प्रोटीन है।  
□ डेयरी-आधारित लिक्विड मिक्सचर (4.9.2) (प्रोप्राइटरी फूड)।



रचनात्मक चित्रण  
\*विकास और कोग्निटिव डेवलपमेंट पर बेशांभुस, पोषण और पर्यावरण सम्बन्धी कारकों का असर होता है।  
कॉम्प्लान को दैनिक संतुलित आहार के एक भाग के रूप में लेना चाहिए। Ind. Nutr. Dietet., (2008), 45, 449, 495 में प्रकाशित एक भौतिक अर्थशास्त्र के परिणामों का उद्धृत करता है। अधिक जानकारी के लिए पैक देखें।  
□ डेयरी-आधारित पेय मिक्स (4.9.2) (प्रोप्राइटरी फूड)।

## Continued momentum in International business..



- ❖ Sugar Free franchise and Complan constituting ~ 90% of the overall business
- ❖ Ongoing severe currency devaluation in Nigeria impacting the quarter growth
- ❖ Top 5 markets constitute ~80% of the business
- ❖ Launching soon range of new products expanding Sugar Free D'Lite portfolio

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





# International Business – Widening the portfolio basket

## Sugar Free D'Lite portfolio expansion planned

### Existing Range

#### Cookies



#### Chocolates



#### Spreads



### New Launches – Planned in Q3 FY24

#### Granola



#### Granola Bars



#### Instant Coffee & Hot Chocolate



#### Butter & Cashew Cookies



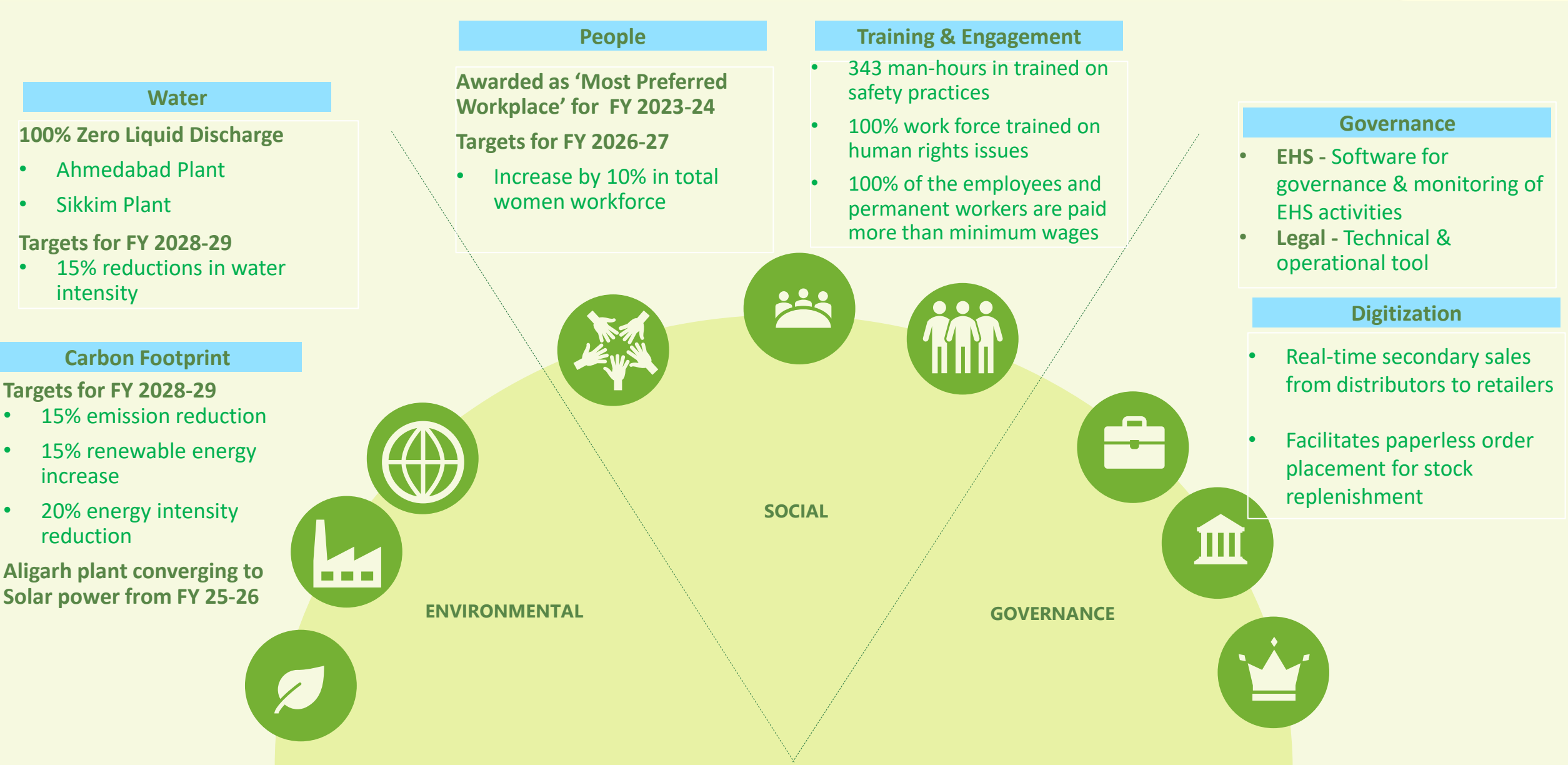
#### Chocolate Minis, Choco Almonds



**Environmental,  
Social and  
Governance**



# Sustainable ESG Initiatives



## Water

**100% Zero Liquid Discharge**

- Ahmedabad Plant
- Sikkim Plant

**Targets for FY 2028-29**

- 15% reductions in water intensity

## People

**Awarded as 'Most Preferred Workplace' for FY 2023-24**

**Targets for FY 2026-27**

- Increase by 10% in total women workforce

## Training & Engagement

- 343 man-hours in trained on safety practices
- 100% work force trained on human rights issues
- 100% of the employees and permanent workers are paid more than minimum wages

## Governance

- EHS** - Software for governance & monitoring of EHS activities
- Legal** - Technical & operational tool

## Digitization

- Real-time secondary sales from distributors to retailers
- Facilitates paperless order placement for stock replenishment

## Carbon Footprint

**Targets for FY 2028-29**

- 15% emission reduction
- 15% renewable energy increase
- 20% energy intensity reduction

**Aligarh plant converging to Solar power from FY 25-26**



ENVIRONMENTAL

SOCIAL

GOVERNANCE

# The Road Ahead

**Zy<sup>+</sup>us**  
**Wellness**

# Three Pillars to drive growth – staying on course



## Accelerate Growth of Core Brands

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

Differentiated propositions supported by strong GTM



## Build International Presence

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

Enter new markets with relevant offering



## Significantly Grow Scale

Open to bolt-on acquisitions at the right time

Growing the customer base with increased penetration

# The building blocks

## Category Building

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



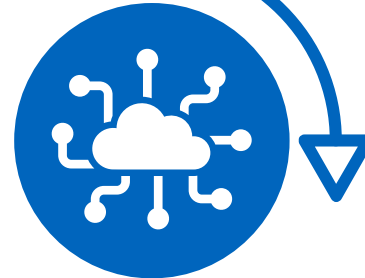
## Leading Route to Market

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



## Digital backbone to decision making

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



## Inorganic play for gap filling

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



# Building Route to market to adapt shifting channel mix



## Organized Trade

- Channel mix shift towards MT+Ecom from 17.5% (FY22) to 22.4% (Q2 FY24)
- E-com continuing good growth, contributing to 10% of sales in Q2 FY24 (vs 8.0 % same period prev. year)
- Leverage changing shopper behaviour by investing in building stronger presence and efficient spends on visibility and Promotions



## Traditional Trade

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



## Building future ready capabilities in S&D

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

# Appendix

**Zy<sup>+</sup>us**  
**Wellness**



## Financial Summary – P&L

INR Million	Q2 FY24	Q2 FY23	YoY Gr. %	YTD FY24	YTD FY23	YoY Gr. %
Net Sales	4,379	4,267	2.6%	11,371	11,197	1.6%
<b>Total Operating Income</b>	<b>4,401</b>	<b>4,294</b>	<b>2.5%</b>	<b>11,422</b>	<b>11,262</b>	<b>1.4%</b>
<b>Gross Contribution</b>	<b>1,989</b>	<b>1,859</b>	<b>7.0%</b>	<b>5,680</b>	<b>5,641</b>	<b>0.7%</b>
<i>Gross Contribution Margin-(% of net sales)</i>	44.9%	42.9%		49.5%	49.8%	
HR Cost	483	436	10.8%	956	887	7.8%
Advertisement Expenses	507	517	-1.9%	1,551	1479	4.9%
Other Expenses	831	744	11.7%	1,840	1632	12.7%
<b>EBITDA</b>	<b>168</b>	<b>162</b>	<b>3.7%</b>	<b>1,333</b>	<b>1,643</b>	<b>-18.9%</b>
<i>EBITDA Margin</i>	3.8%	3.8%		11.7%	14.6%	
<b>PBT</b>	<b>86</b>	<b>82</b>	<b>4.9%</b>	<b>1,162</b>	<b>1,481</b>	<b>-21.5%</b>
Exceptional items	0	0	0.0%	142	29	
<b>PBT (after Exceptional items)</b>	<b>86</b>	<b>82</b>	<b>4.9%</b>	<b>1,020</b>	<b>1,452</b>	<b>-29.8%</b>
<b>PAT</b>	<b>59</b>	<b>85</b>	<b>-30.6%</b>	<b>1,163</b>	<b>1,455</b>	<b>-20.1%</b>
<i>PAT Margin</i>	1.3%	2.0%		10.2%	12.9%	
<b>Adjusted PAT</b>	<b>59</b>	<b>85</b>	<b>-30.6%</b>	<b>1,305</b>	<b>1,484</b>	<b>-12.1%</b>
<i>Adjusted PAT Margin</i>	1.3%	2.0%		11.4%	13.2%	

# Zydus Wellness Limited

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