



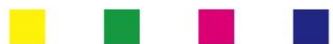
Q1 FY23 Earnings Presentation

July 29, 2022



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Agenda

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



Financial performance – Q1FY23



Business, Brand performance



The Road ahead



Q1 FY23 Performance

INR Million	Q1 FY22	Q1 FY23	YoY Growth %	2-Yr CAGR
Net Sales	5,882	6,930	17.8%	13.7%
Total Income from Operations	5,976	6,968	16.6%	13.9%
Gross contribution	3,310	3,782	14.2%	12.4%
EBITDA	1,404	1,481	5.5%	10.0%
Reported PAT	1,308	1,370	4.7%	23.9%
Adjusted PAT	1,308	1,399	7.0%	25.2%

- ❑ Strong growth in summer season brands along with strong distribution and marketing efforts across brand portfolio resulted in the net sales growth of 17.8% (volume growth +10.3%) in the first quarter
- ❑ Gross margin sequentially improved by 352bps on the back of price increase, cost improvement measures and product mix. The gross margins declined by 70 bps YoY, due to inflationary pressures
- ❑ Incurred one-off expenditure of Rs.29 million on account of cessation of Sitarganj plant operations

Leaders in 5 out of 6 categories

Increased Penetration and Innovations



Strengthen “Energy” credential with new launches

- Category leading brand with 99% plus brand recall
- Surpassed 60%* market share milestone for the first time in many years



Strengthening core through Relaunch of the Brand

- Focused on scientifically proven claims on memory and concentration and enhanced chocolate taste
- 1 lakh stores added since acquisition



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
- Could be the next sizeable brand in sweeteners portfolio



Growing Faster than Market

- Growing faster than overall facial cleansing category
- Scrub Volume market share from 34.8% in 2018 to 42.7%*
- 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 37.6%*



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 June 2022 Nielsen report

Brands Market Share update

										
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 %	60.4	4.8	95.5	NA	34.2	6.6	41.8	76.0	NA	NA

Market share source: MAT June 2022 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



Quarterly - Brand performance update – HFD, Glucose Powder



Strengthening core through Relaunch of the Brand



- Continued slow down in the Health Foods Drink category compounded by down-trading to LUP's and lower priced pouches.
- Key packs holding segment share. Focused interventions on increasing play in sachet and pouches along with activations to drive distribution.
- “Pack Palto, Farak Dekho” campaign highlights the superiority of protein over competition and has witnessed positive overall response in persuasion and consideration scores.
- The brand's market share stood at 4.8% in the Health Food Drink (HFD) category as per MAT June 2022 report of Nielsen



Strengthen “Energy” credential with new launches



- The brand witnessed double digit growth led by revival in the market demand, which was absent during last two consecutive summers due to the pandemic, and further supported by brand campaigns with celebrity Pankaj Tripathi and consumer activations
- Launched 20 gm sachet for Glucon-D to drive consumer consumption and also a new variant of “Kaccha Mango” in ImmunoVolt
- Glucon-D maintained No. 1 position with a market share of 60.4%* in the Glucose powder category, +203bps over the same period last year

*As per MAT June 2022 Nielsen report

Quarterly - Brand performance update – Personal Care



Growing Faster than Market



- ❑ Strong double-digit growth witnessed during the quarter. The brand was supported by TV and digital campaigns for its sub-segments like face wash, scrubs and peel-offs
- ❑ Everyuth Scrub maintained No. 1 position with a market share of 41.8% in the facial scrub category, +511bps over the same period last year
- ❑ Everyuth Peel off maintained No.1 position with a market share of 76.0% in the Peel off category
- ❑ Everyuth brand is at No. 5 position with market share of 6.6% at overall facial cleansing segment level

Market share source: MAT June 2022 report as per Nielsen.



A Leader getting stronger



- ❑ With the good onset of summer season, the Nycil brand witnessed a strong comeback and registered double-digit growth
- ❑ Supported with aggressive TV campaigns and on ground activation to drive the demand
- ❑ Nycil maintained No. 1 position with a market share of 34.2%* in the Prickly heat powder category with a volume market share of 37.6%*

Quarterly - Brand performance update – Dairy & Spreads, Sweeteners



Building 'Dairy + Spread' portfolio



- ❑ The brand registered yet another strong double-digit growth during the quarter on a year-on-year basis
- ❑ Nutralite Mayonnaise and chocolate spreads continue to build well
- ❑ Nutralite DoodhShakti dairy portfolio is also gaining good traction as we expand presence of Ghee in institutional channel through Nutralite DoodhShakti Professional range

sugarlite



Replacing sugar in all forms of consumptions



- ❑ Due to high last year's base of COVID wave which led to high diabetic consumption, the brand did not see growth during the first quarter. However, the brand witnessed healthy growth in distribution expanding to 4.97 lakh outlets as reported by Nielsen
- ❑ Focus on category development, to promote the stevia-based Sugar Free Green variant through thematic communication of "Fitness Ka Pehla Kadam" with celebrity 'Katrina Kaif'
- ❑ Sugar Free brand continues to maintain leadership position with market share stood at 95.5%*
- ❑ "Sugar Badlo, Health Badlo" campaign supported the Sugarlite brand which registered a double-digit growth during the quarter

*Market share source: MAT June 2022 report of IQVIA

Brands campaigns during the quarter - Media

Complan - Superior Nutrition Campaign



Glucon D - Campaign with Pankaj Tripathi



Sugar Free - Endorsement with Katrina Kaif

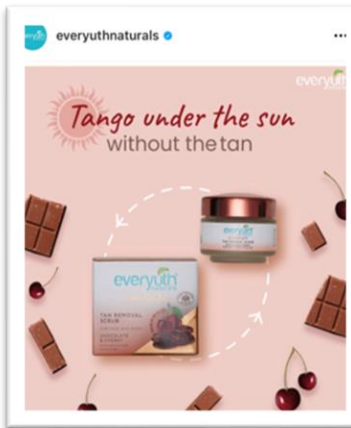


Brands campaigns during the quarter - Digital

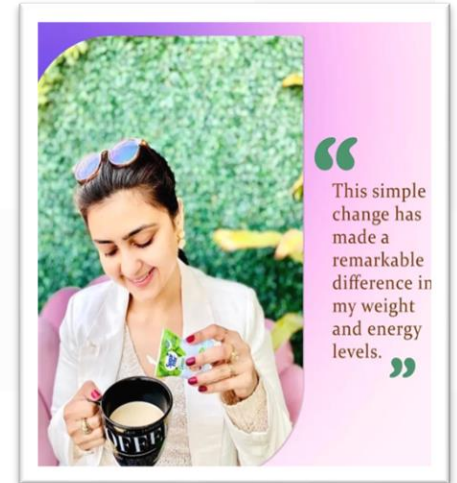
Nutralite - Endorsement with Shilpa Shetty



Everyuth - Active Instagram Presence



Sugar Free - Influencer driven testimonials



International Business – Presence in more than 25 countries

- ❑ Sugar Free franchise and Complan constitute 93% of the overall business
- ❑ Top 5 markets constitute ~80% of the business
- ❑ Entered new geographies like Hongkong, Lebanon, Zimbabwe, Muscat, Ethiopia and Australia in FY22
- ❑ Launched new extensions to Sugar free - Sugar Free D'Lite Cookies and Sugar Free D'Lite Chocolate spread - in international markets during FY22



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

Headwinds in FY22...continuing into FY23

Key Raw Materials	Milk	RPO*	Aspartame	Diesel
% Increase in Rs/Kg Jun 19 vs. Q1 FY 23	30%+	150%+	75%+	40%+
% Increase in Rs/Kg Q1 FY 23 vs. Q1 FY 22	20%+	25%+	55%+	5%+

FMCG Industry continues to face same headwinds

- ❑ Inflation in key raw material and packing materials prices continues to impact Gross Margins across companies
- ❑ Rupee Dollar depreciation also impacting the input costs
- ❑ Muted volume growth driven by inflationary pressure. Impact of inflationary pressure more in rural vs. urban
- ❑ Gross Margin impact across top companies ranges from 100-400 bps for FY 2022

ZWL actions to mitigate gross margin hit

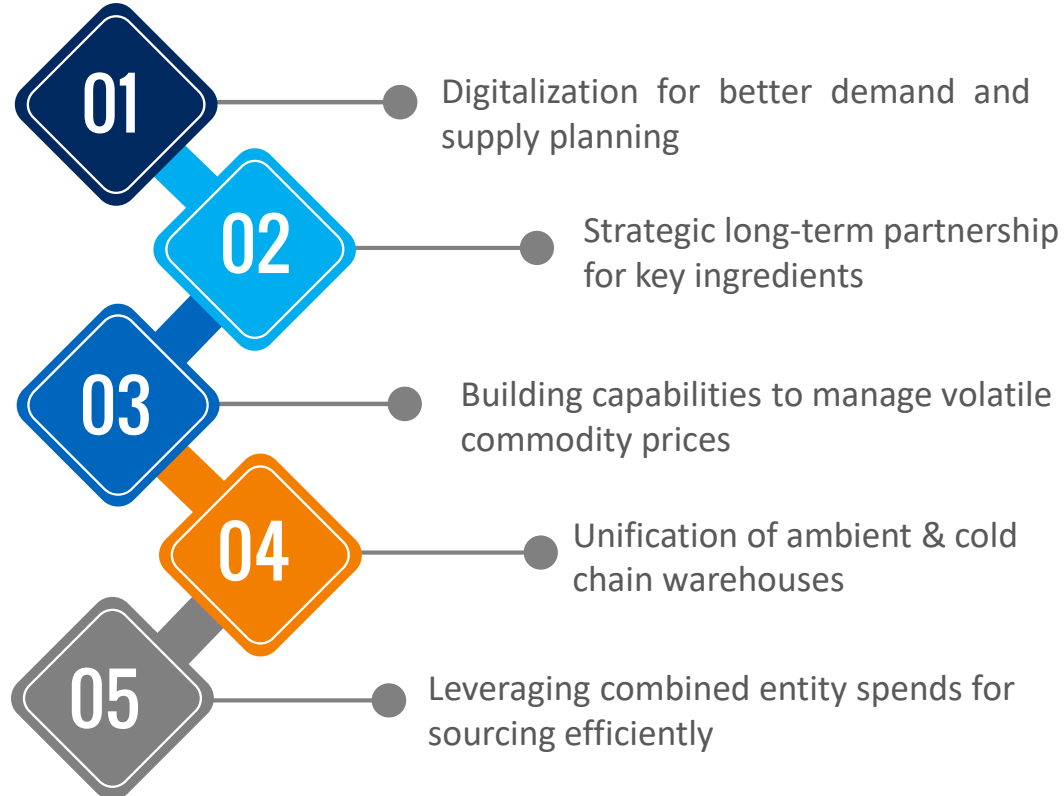
- ❑ Calibrated price increases in FY 22
- ❑ Cost reduction programs
- ❑ Control over discretionary spends
- ❑ Long-term supply contracts
- ❑ Build-up of RM inventory at opportune time

*RPO- Refined Palm Oil



Multiple levers to build leaner and efficient organization – Transformation 2.0

Building an Efficient Supply Chain



Reorganizing Manufacturing Operations

Revisited manufacturing footprint focusing on redistributing the manufacturing of same product in different geographies.

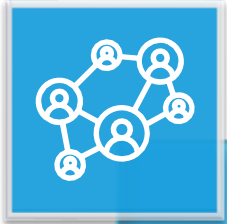
Ceased operations of Sitarganj plant with the objective of having leaner operations closer to the consumers

Reduced operational costs

Reduced variable cost through automation

Digitization across Value Chain

Building Route to market to adapt shifting channel mix



Organized Trade

- Channel mix shift towards MT+Ecom from 14% (FY 21) to 18% (FY 22). Potential to increase to 25% in next few years
- E-com continuing good growth, contributing to 6.5% of sales (vs 5.9% prev. year)
- Leverage changing shopper behaviour by investing in building stronger presence and efficient spends on visibility and Promotions



Traditional Trade

- Direct reach ~6 lakh stores expansion across sub channels
- Plan to reach 1 million stores directly in next 3 years
- Overall availability of our products crossing 2.5 million stores in Q1-FY23 as reported by Nielsen, with equal split between urban and rural distribution.



Building future ready capabilities in S&D

- Implementing Integrated Business Planning (IBP) tool to automate the demand planning, supply planning and sales & operations planning (S&OP) resulting in better availability and reduction in inventory
- Digitization till last mile sales
- Reduced cost to serve through distributor disintermediation in organized trade

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



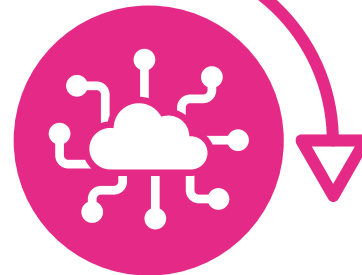
Leading Route to Market

Plan to enhance distribution infra
to 3Mn+ reach and 1 Mn direct
coverage over next 3 years
Invest in capabilities; for
converging Offline & Online trade
Engage shoppers at multiple
touch points



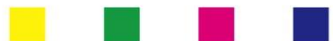
Digital backbone to decision making

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



Summary Financials Q1FY23

INR Million	1Q FY22	1Q FY23	YoY Growth	2Y CAGR
Net Sales	5,882	6,930	17.8%	13.7%
Total Operating Income	5,976	6,968	16.6%	13.9%
Gross Contribution	3,310	3,782	14.2%	12.4%
HR Cost	430	451	4.9%	3.1%
Advertisement Expenses	693	962	38.9%	39.9%
Other Expenses	784	888	13.3%	2.1%
EBITDA	1,404	1,481	5.5%	10.0%
PBT	1,308	1,399	6.9%	29.7%
Exceptional items	-	29		
PBT (after Exceptional items)	1,308	1,370	4.7%	28.4%
PAT	1,308	1,370	4.7%	23.9%
Adjusted PAT	1,308	1,399	7.0%	25.2%

*Adjusted PAT = PAT + Exceptional items. The Company has incurred one-off expenditure of Rs.29 million on account of cessation of Sitarganj plant operations in Q1 FY23.



THANK YOU

