



“Zydus Wellness Limited Q2 FY20 Earnings
Conference Call”

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MANAGEMENT: DR. SHARVIL PATEL – CHAIRMAN, ZYDUS WELLNESS LIMITED
MR. GANESH NAYAK – DIRECTOR, ZYDUS WELLNESS LIMITED
MR. UMESH PARIKH – CFO, ZYDUS WELLNESS LIMITED
MR. VISHAL GOR - SENIOR VICE PRESIDENT (CORPORATE FINANCE), CADILA HEALTHCARE LIMITED
MR. TARUN ARORA - ZYDUS WELLNESS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Zydus Wellness Limited Q2 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tarun Arora from the Zydus Wellness Limited. Thank you and over to you, sir!

Tarun Arora: Good afternoon and welcome to the post results teleconference of Zydus Wellness Limited for quarter 2 financial year 2019-2020. We have with us Dr. Sharvil Patel – Chairman, Mr. Ganesh Nayak – Director, Mr. Umesh Parikh – CFO and Mr. Vishal Gor - Senior Vice President, Corporate Finance at Cadila Healthcare Limited.

Despite prolonged economic slowdown during the quarter gone by the company’s sales excluding our byproducts sales which are basically ghee and milk grew by 9% on year-on-year basis. However, due to substantial increase in its prices, company slowdown production for couple of months. This slowdown has an impact on ghee sales which suppressed overall growth to 3.6%. On the back of continued investments, our flagship brands vis-à-vis Sugar Free, Everyuth, Glucon-D and Nycil have continued to do well. As a result, our reported total income from operations on a consolidated basis grew by 135.9% to Rs. 3,260 million during the second quarter of financial year 2019-2020.

Consolidated reported profit after tax stood at Rs. (-120) million for the second quarter. Since the consolidated financial results for the quarter one of the financial year 2019-2020 includes operating results of the acquired business, hence the reported results are not comparable with those pertaining to previous period.

Also due to the seasonality of some of the group’s products, group’s revenue and profit has skewed in favor of the first and last quarters of the financial year. Hence the performance of quarter 1 and 2 are not exactly represented of each other and cannot be generalized for other quarters.

During the quarter gone by, our key brands namely Sugar Free, Everyuth scrub and Everyuth peel off, Glucon-D and Nycil have been leading in their respective categories.

Let me take you through the highlights of the consolidated financial performance of quarter 2, financial year 2019-2020:

During the second quarter of financial year 2019-2020, our total income from operations has increased by 135.9% year-on-year to Rs. 3,260.3 million. EBITDA was down by 47% year-on-year to Rs. 204 million which was mainly because of:

1. Investment into increased advertisement on our brands.

2. One-off expenses on consultants of for Rs. 72 million.
3. Due to higher raw material prices in specific more on milk but over raw material prices.

Profit before tax was down by 132% to Rs. (-146) million. Net profit was down by 129% to Rs. (-120) million. With this quarter 2 performance of our H1 growth of total income from operations stands at 251.1% excluding one-offs. One offs include central capital subsidy income of Rs. 2.6 million recognized during the current year, additional excise duty credit of Rs. 94.8 million and central capital subsidy income of 22.8 million which is recognized during quarter 1 of previous year. H1 growth of our profit after tax stands at 20.7% after excluding one-offs.

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 year. To narrate a few:

On Sugar Free front, during the quarter we continue to invest behind the brand through TV and digital media campaigns on back of Sugar Free Green communication and consumer promotes. We scaled up execution in focused markets as a part of micro marketing efforts. We completed execution of the 30 days Sugar Free challenge as a part of 360 micro marketing plans.

On the Everyuth front, during the quarter gone by the brand continued to grow faster than the category despite the pressures of larger economic slowdown. Everyuth partnered as our title sponsor of the Times Fresh Face property which is the largest college activation in the country targeting (+100) colleges with multiple touch-points on ground, digital, radio and print. E-commerce was continuously supported with investments and participation in Amazon Prime Day and Flipkart Big Billion Day sales.

On the Nutralite front during the quarter, brand continue to invest in generating **trials through** consumer offers and various sampling at the point of sale and gross category product funding.

On the Complan front, we continue to invest behind the brand with a launch of new consumer validated TVC highlighting Complan's nutritional superiority by increasing media weightages in the key markets through multiple media. We launched our popular flavor Kesar Badam in the jar format. With our effort over the last few months, Complan offtakes has seen revival in growth which we would need to sustain.

Internal growth numbers have also improved on a sequential basis. As per the MAT September 2019 report of Nielsen, the sugar substitute category growth rate is at 7.8%, Sugar Free has maintained its number one position with the market share of 94.6%. The facial scrub category has grown by 12.5%; Everyuth scrub has maintained its number one position with a market share of 32.6%. The peel off facemask category has grown by 16.4%; Everyuth Peel off Mask has maintained its number one position with a market share of 82.1%.

The prickly heat powder category has grown by 11%; Nycil has maintained its number one position with the market share of 34.2% which is an increase of 200 basis point over the same period last year.

The Glucose powder category has grown by 15.3%; Glucon-D has maintained its number one position with the market share of 59.3%. The MFD category has grown by 9.0%; Complian has a market share of 5.7% in this category.

We continue to build on the synergy of 2 businesses through integration of sales and distribution in supply chain infrastructure. By the end of this financial year we expect to have on board larger distribution partners while reducing the number by half. Similarly, we expect the ambient warehouses also to reduce by half while becoming more cost-optimized. We are also in the process of implementing latest version of our ERP for the combined organization. Our endeavor is to have a lean and stronger organization ready for the future.

Thank you and we will now start the Q&A session. Over to the coordinator for the Q&A!

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. First question is from the line of Kunal Patel from Equilligence Capital Advisors. Please go ahead.

Kunal Patel: Sir, 3 questions. First question is on like-to-like business can you please give us growth and gross margins number for existing and acquired portfolio?

Tarun Arora: So, at an overall level 9% growth without the byproduct sale is the topline growth.

Kunal Patel: But can you give the breakup between existing and acquired, if you can?

Tarun Arora: So, now the businesses have got combined. So it will be difficult for us to share on a separate basis.

Kunal Patel: And now what about our gross margin?

Tarun Arora: Both are similar in about similar single digit, high single digit. Gross margins are 56% for this quarter.

Kunal Patel: Sir, any reason for decline in gross margins I am not sure whether we should look at quarter-on-quarter basis but because we do not have a comparable number. So any reason, why gross margins are roughly around 56%-57%? Is it normal for this quarter or do you think that there was some aberration this quarter, in this quarter?

Umesh Parikh: Gross margins are not normal for this quarter. This quarter being off-season there was an impact of product mix on the gross margin and secondly there was an impact of high raw

material prices on the gross margin especially milk prices and that dragged down the margin. Otherwise generally the gross margins are in the range of 60%.

Kunal Patel: Sir, second question is regarding your Complian brand, so I am a Complian boy campaigning is back now. So, how much of our total A&P spend is for Complian?

Tarun Arora: We do not give brand-by-brand, but we have upped our investments behind Complian in the key markets to have at least 1.5 to 2 times of our target share of markets. So, our share of spends is 1.5 to 2 times of share of markets. So, typically we are operating at 20% to 25% share of spends in West Bengal and about 10%-12% share of spends in Tamil Nadu and similarly in other markets. So we have upped our investments behind Complian.

Sharvil Patel: These 2 quarters, Complian is generally higher.

Tarun Arora: Quarter 2 and quarter 3 sees increase in Complian numbers by category size, from a category perspective and we have increased our investment behind Complian.

Kunal Patel: So is it safe to assume that in Q4 and Q1 probably our A&P spend would be lower than Q2-Q3 number?

Tarun Arora: For Complian we will be, round the year we will be consistent. The business the category has a slightly higher salience in Q2 and Q3, July to December it tends to be a little bit higher salience.

Moderator: Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: I just wanted to check how Nutralite has performed in the quarter and in terms of volumes has it, yes in terms of volumes?

Tarun Arora: So, Nutralite after almost 3 years has a more flattish quarter and that is largely because there were some local players who in one of the specific regions took an aggressive stands. But we are seeing we expect that numbers to come back at low single digit kind of growth.

Shalini Gupta: And sir, I mean if you could just speak about what is then the realization growth may not be this quarter but say overall 3 year period what has been the realization growth? And what kind of volume growth you expecting Nutralite going forward?

Tarun Arora: So, Nutralite over last 3 years has seen a good double digit volume and value growth. So, it has been a brand which has been fairly consistent performer for last 3 or 4 years. We expect this trend to continue. We have seen more in institution fairly good response on this and our pricing par has also improved over the years as our volume has built. We expect a double digit growth in this brand over next 2 to 3 years as well.

- Shalini Gupta:** And sir, I just wanted to check one small thing. You had said this quarter you receive 2.6 million of central subsidy, is that correct?
- Umesh Parikh:** So, this quarter there is no one-off. For the H1 there is a central capital subsidy of 2.6 million in the current year
- Tarun Arora:** Current year not quarter-to-quarter.
- Shalini Gupta:** Nothing in the quarter?
- Tarun Arora:** Nothing in the quarter.
- Shalini Gupta:** And sir basically from now on you are not going to be receiving any excise duty credit I think?
- Umesh Parikh:** So, we have 2 plants where we have the budgetary support benefit one plant is at Sikkim and the other one is at Sitarganj. So, Sitarganj benefit will be discontinued from December onwards. Sikkim benefits will continue.
- Shalini Gupta:** And sir, could you please repeat the growth figures for the category of Complian as well as the market share?
- Tarun Arora:** So, MFD category on a MAT basis has grown by 9%, MAT September and our market share was 5.7% on MAT basis.
- Shalini Gupta:** And sir, what kind of tax rate should we see going forward? I mean, next year financial year 2021 what sort of tax rate and even financial year 2020 what sort of tax rate should we budget for?
- Umesh Parikh:** Zero.
- Shalini Gupta:** Zero tax rate?
- Umesh Parikh:** Yes.
- Shalini Gupta:** And why tax sir because, I mean there would always be MAT, so if you could just explain this zero tax rate?
- Umesh Parikh:** Yes, that is mainly because of the NCLT order.
- Shalini Gupta:** Which takes what, sir?
- Umesh Parikh:** As per NCLT order when we merge 2 companies, we are allowed to depreciate intangibles.
- Moderator:** Thank you. The next question is from the line of Kaustubh Pawaskar from Share khan. Please go ahead.

- Kaustubh Pawaskar:** Sir, can you explain seasonality better in terms of quarter-on-quarter performance like Q2 we have seen revenues substantially lower compared to quarter 1. So, I believe that the salience of Glucon-D in this quarter was much lower than that for quarter 1 also the prickly heat powder and that resulted in the losses because category growth on Y-o-Y basis we can see a good growth. But from the mix perspective I think, Glucon-D and prickly heat powder sales were lower in this quarter and that affected the, that is also a reason because of which gross margins and operating margins are lower if you compare it with quarter 1.
- Tarun Arora:** So, Glucon-D and Nycil have a high, we have also mentioned in the last call have a high seasonality which is towards the January-June. Therefore quarter 4 and quarter 1 have a high salience of Glucon-D and Nycil and that also impact our sales as well as the operating margin for the business.
- Kaustubh Pawaskar:** Sir, then in case of quarter 3, the margin should be much lesser because Complian you are putting a lot of investments behind the advertisements and also Nutralite compared to some of the other brands it has lesser margins. So, considering that Q3 margins should be much lesser than what it was in quarter 2? Is it a right understanding?
- Tarun Arora:** Yes, the Q4 and Q1 margins are much higher. Q2 and Q3 margins are lower. Q3 will be still little bit better than Q2.
- Moderator:** Thank you. We move on to the next participant, that is question from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Sir, first on the seasonality in revenues. So, this is slightly new for Zydus as a company also. So, do you believe that you can make the cost also to respond to this seasonality or the fixed base of the cost will remain like this and hence, this volatility and profitability also will remain as it is an embedded part of the business from year-on-year?
- Tarun Arora:** So, it has been an embedded part of the acquired business. We are working towards streamlining that in sync with the revenues. So that is the work which we are doing. As a part of it we got further impacted by the milk prices but that is you got it right we are working towards streamlining the cost in line with the revenue movement. And with our larger acquired integrated business in any case that seasonality at our overall business level will also reduce.
- Tejas Shah:** Sir, on that gross margin part have we made any interventions in terms of price hikes or mix change to mitigate or better sourcing?
- Tarun Arora:** As far as milk is concerned, I think the biggest direct impact is on Complian where have not taken any price increases if at all in one of the variance we have taken a price drop to be competitive in the market. However, if the milk prices sustain we will have to take strong measures on it and we will review it on a regular basis.
- Tejas Shah:** And sir, Glucon-D have we gain market share or?

Tarun Arora: We are almost flat. There is a small few basis points on a, I mean it is almost flat 59.7 is similar to what we had on MAT basis.

Tejas Shah: And sir last question, if you can share some thoughts on cost synergy effort because last quarter you mentioned that a lot of cost synergies will come through in coming quarters. So, where are we in terms of employee cost synergy in overheads also?

Tarun Arora: So, we are on track in terms of our cost synergy effort and we put a target for this year, we are on track on that. These are largely in terms of 2 or 3 areas one is on people synergies the other is supply chain infrastructure and sales and distribution. There are few revenue synergies also which will accrue as the sales teams combine and exports.... We are looking at almost a 40 crores to get accrued through the cost synergies over next 2 years to ... So, we are expecting almost 40 crores of synergies over 2 to 2.5 years. Some part of it has accrued but still it is small because we are still building on it. We expect a much larger portion to come over next 3 to 4 quarters.

Moderator: The next question is from the line of Shekhar Singh from Excelsior Advisors. Please go ahead.

Shekhar Singh: I just wanted to understand this seasonality see your revenues quarter-on-quarter have almost halved. So, which are the key brand where you where this so much of seasonality and they are contributing such a large portion of total revenue?

Tarun Arora: Glucon-D and Nycil they have a very strong seasonality in favor of January-June, which is quarter 4, quarter 1.

Shekhar Singh: And but see if you were to look at year-on-year numbers for these, those numbers have they held up or even they are contracted, no? No I am just saying it should not be that right now on a quarter-on-quarter basis we are seeing the seasonality impact but in reality they had also lost revenues on a year-on-year basis, no?

Tarun Arora: No, they have gained share, I mean they have maintained or gained share and on the contrary, it is only the first it is very skewed towards quarter 4 and quarter 1, those 2 brands and from the acquired business. So and it is almost a 70-30 split, so very highly skewed towards quarter 4, quarter 1. Over a period of next couple of years with more introductions we will try and even out the spread of business but there is a current spread which is more skewed towards quarter 4 and quarter 1.

Tarun Arora: And the growth rates have been fairly good in season that been good for the summer products.

Shekhar Singh: And in terms like Glucon-D is that a very high profit margin business and same for Nycil?

Tarun Arora: Yes.

Tarun Arora: Both Glucon-D and Nycil are good profitable brands.

- Shekhar Singh:** Because say to report a loss for FMCG company even because of the seasonality at the operating level like something which we have not seen as such?
- Tarun Arora:** It is not at operating level. I think there is some misunderstanding there is no loss at the operating level. So, that is the nature of the current business. So, it has a very high skew in the profitability side for quarter 4, quarter 1 and then quarter 2 is the lowest and quarter 3 is again starts picking up.
- Shekhar Singh:** And lastly if you can say since you mentioned that you are taking some steps to correct the seasonality. Can you just elaborate on it?
- Tarun Arora:** So, there are 2 part of it. One as the merged entity in case the seasonality has got reduced from 70-30 to overall business being closer to 60-40, plus we have some initiatives launched for the second summers which we are running, and we will take 2-3 years of a consistent effort to build it. It is not going to happen overnight. But, yes we are taking steps like second summer support to these brands. So, not historically....
- Moderator:** Thank you. The next question is from the line of Kartik Mehta from IDFC Mutual Fund. Please go ahead.
- Kartik Mehta:** On the gross margin front, how much is the if you can spilt up the difference and between the raw material inflation driven, gross margin impact and product mix driven gross margin impact?
- Umesh Parikh:** So, the raw material driven gross margin is in the range of 1% or less than 1%, rest is the product mix.
- Kartik Mehta:** So, around 200 bps is purely from the product mix?
- Umesh Parikh:** Yes.
- Kartik Mehta:** And you mentioned about the category growth that is for the second quarter or for the first half?
- Tarun Arora:** Which product?
- Tarun Arora:** The category growths we were reported.
- Kartik Mehta:** You mentioned the category wise growth number for each and every category in your speech, so that is for the second quarter or for the first half?
- Tarun Arora:** That is MAT September annual, September MAT annual numbers.

- Kartik Mehta:** And similarly you said that you actually maintained the market share or you said that we maintain the leaderships. So, is it fair to understand that your growth was in commensurate to the category growth or slightly better?
- Tarun Arora:** In some categories we are ahead for example Nycil and Everyuth some categories has been in line with the category in Complian it has been slightly lower.
- Kartik Mehta:** And if you can give me a first half one-time gain and one-time loss you mentioned the loss number around 7 crores for the related to the integration, I believe. So, what is the net number for the first half?
- Umesh Parikh:** So, the one-off for the quarter is 7.2 crores and one off expenses for the first half is 33 crores.
- Kartik Mehta:** So, those are not repetitive next year, right 33 crores expense?
- Umesh Parikh:** Those are not repetitive next year, yes.
- Kartik Mehta:** Plus over and above that you would have a 40 crores benefit over the period of 2 to 3 years?
- Umesh Parikh:** Yes, 2 to 2.5 years.
- Kartik Mehta:** So, that is driven by the employee, warehousing and distribution synergies or anything else?
- Umesh Parikh:** Yes, largely this.
- Kartik Mehta:** Lastly on our ad spends front, advertisement and promotion front are you see that you spend fairly large amount to the extent of 18% for the quarter and 16% probably for the first half. So, within that if you can just give me the pure advertisement spend and versus the total number.
- Tarun Arora:** So, these are largely advertising spends obviously media will be about 60%-70% of it and rest will be other media advertising related activities. Our annualized numbers will be lower this is specific to this quarter our annualized number is closer to the range of 14%-15%, 15% would be a fair number to work with annualize spends.
- Kartik Mehta:** So, the second half number should there that means has to be much lower to come to the 15% full year number?
- Tarun Arora:** Yes, because quarter 4 like I mentioned the numbers go up because of seasonality that also numbers therefore even despite investments percentages change.
- Kartik Mehta:** So, while looking at your current first half number while there is a seasonality split at between fourth quarter and first quarter and second and third is relatively muted. Can we say that first half and the second half are going to be comparable or you would have still much heavier second half compared to first half?

- Tarun Arora:** I think, the numbers vary because of the seasonality typically summers sometimes start in March or sometimes start in April. So, they are similar direction but the March-April numbers move in between. So, very difficult to give you a specific number today, first half is equal to second half is not a fair.
- Kartik Mehta:** Any new sub category or within the category some extension you have probably launch or thought of launching? And how was the festive demand, some color on that front.
- Tarun Arora:** So, no new launches overall like we mentioned while the economic slowdown is there other than byproducts sales have grown by 9%. So, that is the broad takeout from the last quarter.
- Moderator:** Thank you. The next question is from the line of Kunal Patel from Equilligence Capital Advisors. Please go ahead.
- Kunal Patel:** Sir first question is or in terms of activation, so apart from TV commercial for Complian what other activations we are taking in other category?
- Tarun Arora:** So, on Complian we are doing 3 things along with other than TV, one is the consumer engagement through consumer promotions which is we had run Hot Wheels and Barbie last quarter. We currently running tie up with the Disney Frozen which is a new movie coming. So, that is to drive the pester power. We are also reaching out to Doctors in terms of telling them about the superiority of Complian growth. So, this as well as some direct engagement with the consumers through digital and other routes. So, these are things which we are doing beyond the TV the retail and consumer engagements the consumer promos and advocacy through doctors. These are we have chosen to play Complian.
- Kunal Patel:** Sir, you said you have not launched any new sub category, have you introduced any SKUs in Complian different size points or do you think it does not fit in economics?
- Tarun Arora:** So, we will not introduce any new SKUs other than the jar that we mentioned for Kesar Badam but otherwise we have not introduced any new SKUs.
- Kunal Patel:** Do you have any plan to launch in sub Rs. 50 price points or something?
- Tarun Arora:** No, we do not have any specific plans. When we do we will share on the call.
- Moderator:** Thank you. The next question is from the line of Nilesh Shah from Envision Capital. Please go ahead.
- Nilesh Shah:** Yes, regarding this one-time expenses would these one-time expenses also continue in the second half of the current financial year?
- Umesh Parikh:** No, largely it is done, very small portion of it might come but largely it is done.

- Nilesh Shah:** Just a suggestion, I mean now we are a much larger company post the acquisition. Can we also have a quarterly presentation which gives all these deviations or aberration or something like that which helps us to understand both the numbers as well as the business in a much more better manner because there are, I mean several smaller companies, companies much smaller than you who do this? Can we now start this as a matter of consistent and good practice?
- Tarun Arora:** We would discuss and come back to you. We have taken your input we will discuss and comeback to you. It is a good suggestion.
- Nilesh Shah:** Because things like one-time expenses are not even mentioned in the notes to accounts. So, I think it will be just helpful in better understanding the performance. On the business side, I mean how are some of those new launches doing? I mean, we had introduced Mayo, we have introduced Sugarlite. So, can you just give some colour on what is happening on some of those new launches?
- Tarun Arora:** So, some of these launches are behind the milestones. The tan removal is on track, but other launches are the Sugarlite and Mayo is running behind the milestones that we have kept. But we are building on it and we believe there is potential to build further on these.
- Moderator:** Thank you. The next question is from the line of Kaustubh Pawaskar from Share khan. Please go ahead.
- Kaustubh Pawaskar:** Sir, one last one, these byproducts include only the ghee or are there any some other products which we need to take into consideration?
- Tarun Arora:** So, there is also some milk trading because in a shutdown since we have to continue sourcing of milk from the farmers. So, that was being sold in a bulk which is not core to our business and we have to practically cut it down.
- Kaustubh Pawaskar:** So, on comparable basis what could be the impact on the growth because of these 2 things? Because you said that excluding the byproduct the growth was 9%. So if these 2 things were common on the base what would have been the growth?
- Tarun Arora:** Like I mentioned 3.6%.
- Kaustubh Pawaskar:** 3.6% was the impact because of this thing? The ...
- Tarun Arora:** So, the growth becomes 3.6%.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Carnelian Capital. Please go ahead.
- Kunal Shah:** I just wanted to check, I mean as a part of the synergy benefits that you are going to have one of the benefits was also the distribution benefit that we were going to have. So, if you could

throw some light on how we have progress as far as our distribution touch points go in these two quarters.

Tarun Arora: So, distribution integration is a long run process. We have right now completed our own sales team between the 2 systems we have one common sales team. We are in the process of integrating our distribution partners making them much larger and over this quarter we see that happening and getting closed. This will be followed over next 2 to 3 quarters in the expansion of our direct touch point expansion. So, it will take us at least 2 to 3 more quarters to reach the full target that we are envisaging for.

Kunal Shah: Can you help with some numbers as far as how, what other touch points presently which was there at the start of the year and in 2 quarters what has been the progress?

Tarun Arora: We were about 2-2.3 lakhs kind of each distribution direct distribution touch points; we are looking at doubling at by December '20.

Kunal Shah: And December would be at the start of the year it could be 2.3 and as on 30th of September if you could have any number?

Tarun Arora: No, it is similar. We have just now integrating our people distribution partners, so the numbers has not changed. We have just making it more efficient right now. But this numbers will start expanding only after January.

Sharvil Patel: FY21 you will see the impact of increase in distribution to doubling up.

Kunal Shah: And just one more question as far as our gross margins goes. So there is obviously as you said that there is product mix impact which is there in this quarter. So, now looking at the full year how should we look at the gross margins for the company as a whole put together all the 4 quarters?

Tarun Arora: So, gross margin on an annualize basis should look like 60%.

Kunal Shah: It should be around 60% for the whole year.

Moderator: Thank you. The next question is from the line of Ayaz Motiwala from Nivalis Partners Ltd. Please go ahead.

Ayaz Motiwala: I would like to understand what is the plank on which you hope to grow the Complan business and the market share?

Tarun Arora: Complan has over last 2-3 years have had several changes in terms of propositions, pricing as well as formulation. We are now focused on driving Complan on the core strength of giving 2X faster growth for the child. Having this proposition communicated on a consistent basis has a good consumer engagement approach. These should help us build the brand forward at least

strengthen the core. We do have some innovation ideas down the line which we roll out over next 2-3 year as well.

Ayaz Motiwala: So, this brand used to be in the early double digit, its market share is probably half over the last 5-6 years. Is that correct fact?

Tarun Arora: That is correct; envisage building back our market share.

Ayaz Motiwala: My other question was related to the beverages, the Vitamin C related powder and other forms that are there in the market place. We see competition coming out in ready to drink beverages. So do you see the Glucon-C related business in the middle of our transformation and are you looking at working on some of these ideas to counter as well as grow that business?

Tarun Arora: So, we have got several ideas to grow Glucon-D franchise both with Vitamin C and Glucon-D which we are evaluating each one of these. RTD will be just one of the formats which we look at but there may be some other more important ideas which could give us better results even in short term and medium term which we are working on and we will come back once we are ready fully flushed out and validated those.

Ayaz Motiwala: And lastly on the Everyuth portfolio you had talked about some market growth and market share numbers they were called out a little fast, I am sorry I missed some of these. If you could talk about the Everyuth portfolio in terms of the core cream and also the mask. How do you see that market and your position in the market and the growth that you see over the next 2-3 years?

Tarun Arora: So, Everyuth's strength has been speciality products whether it is scrub, peel off and now even tan removal with very strong propositions. We continue to lead these markets because of our proposition and grow these markets. Scrub has grown as 12.5 and our market share 32.6 we drive in a category growth, peel off again we have a leadership at 82.6. We have seen a lot of regional and high price brands coming in but our leadership in category growth focus remains. So, we believe Everyuth way forward will be expanding this skin portfolio around speciality products where we can have clear advantage on the overall space.

Moderator: Thank you. The next question is from the line of Govind Sabu from Indianivesh PMS. Please go ahead.

Govind Sabu: Sir just a small maintenance question regarding depreciation. So, in Q1 it was 10 crores and Q2 it has fallen down to 4 crores. So, any reason for such variation?

Tarun Arora: Yes, so our acquired business was not using the salvage value for the assets which we have started using in line with the Companies Act.

Govind Sabu: So 4 crores is the going forward quarterly number for depreciation?



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November 13, 2019*

Tarun Arora: So, yearly depreciation number will be in the range of 9 crores-9.5 crores.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Tarun Arora: Thank you very much and see you next quarter.

Moderator: Thank you. Ladies and gentlemen, on behalf of Zydus Wellness Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines, thank you.