

July 29, 2022

Listing Department  
**BSE LIMITED**  
P J Towers, Dalal Street, Fort,  
Mumbai-400 001

**Code: 531 335**

Listing Department  
**NATIONAL STOCK EXCHANGE OF INDIA LIMITED**  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (E),  
Mumbai-400 051

**Code: ZYDUSWELL**

Re: **Investor Presentation**

Dear Sir / Madam,

Please find attached the Investor Presentation on the unaudited financial results for the quarter ended on June 30, 2022.

Please find the same in order.

Thanking you,

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

  
**NANDISH P. JOSHI**  
**COMPANY SECRETARY**



Encl.: As above



# Q1 FY23 Earnings Presentation

July 29, 2022



## Safe Harbour Statement

This presentation contains certain forward-looking statements including those describing Zydus Wellness's strategies, strategic direction, objectives, future prospects, estimates etc. Investors are cautioned that "forward looking statements" are based on certain expectations, assumptions, anticipated developments and other factors over which Zydus Wellness exercises no control. Hence, there is no representation, guarantee or warranty as to their accuracy, fairness or completeness of any information or opinion contained therein. Zydus Wellness undertakes no obligation to publicly update or revise any forward-looking statement. These statements involve a number of risks, uncertainties and other factors that could cause actual results or positions to differ materially from those that may be projected or implied by these forward-looking statements. Such risks and uncertainties include, but are not limited to: growth, competition, domestic and international economic conditions affecting demand, supply and price conditions in the various businesses in Zydus Wellness's portfolio, changes in Government regulations, tax regimes and other statutes. This document is a presentation and is not intended to be a prospectus or offer for sale of securities.



# Agenda

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



Financial performance – Q1FY23

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Business, Brand performance

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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



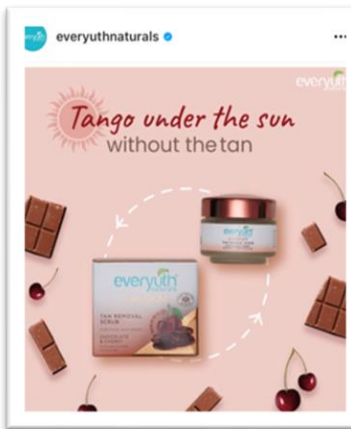


# Brands campaigns during the quarter - Digital

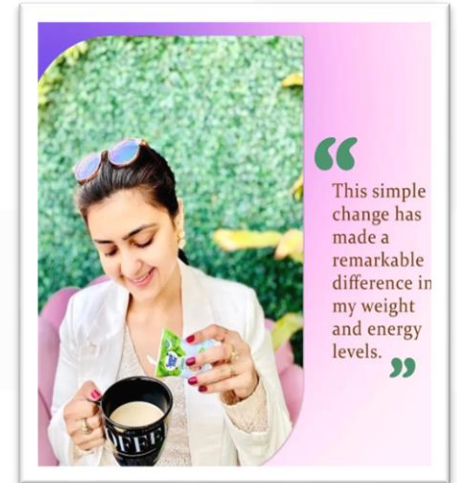
## Nutralite - Endorsement with Shilpa Shetty



## 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

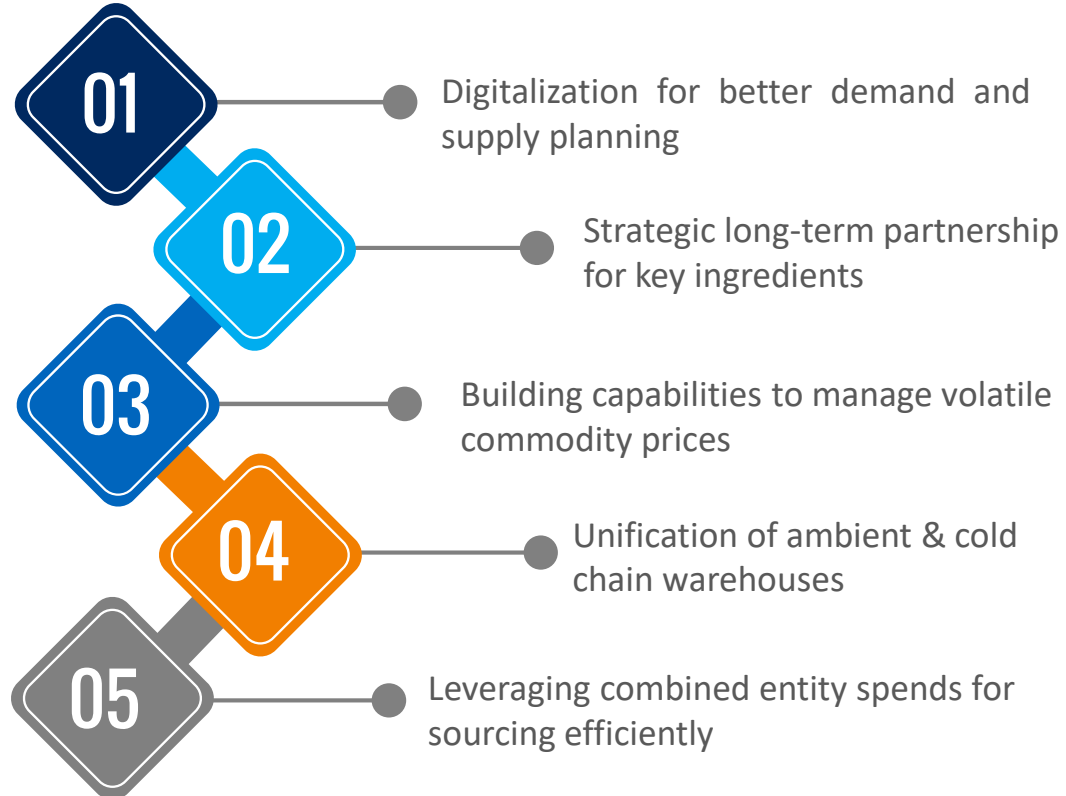
- ❑ Calibrated price increases in FY 22
- ❑ Cost reduction programs
- ❑ Control over discretionary spends
- ❑ Long-term supply contracts
- ❑ Build-up of RM inventory at opportune time

\*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



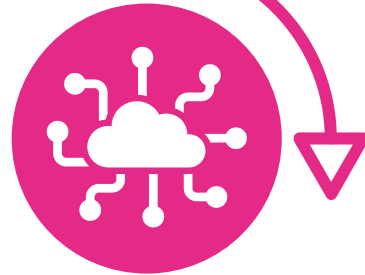
## Leading Route to Market

- 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%
<b>Total Operating Income</b>	<b>5,976</b>	<b>6,968</b>	<b>16.6%</b>	<b>13.9%</b>
<b>Gross Contribution</b>	<b>3,310</b>	<b>3,782</b>	<b>14.2%</b>	<b>12.4%</b>
HR Cost	430	451	4.9%	3.1%
Advertisement Expenses	693	962	38.9%	39.9%
Other Expenses	784	888	13.3%	2.1%
<b>EBITDA</b>	<b>1,404</b>	<b>1,481</b>	<b>5.5%</b>	<b>10.0%</b>
<b>PBT</b>	<b>1,308</b>	<b>1,399</b>	<b>6.9%</b>	<b>29.7%</b>
Exceptional items	-	29		
<b>PBT (after Exceptional items)</b>	<b>1,308</b>	<b>1,370</b>	<b>4.7%</b>	<b>28.4%</b>
<b>PAT</b>	<b>1,308</b>	<b>1,370</b>	<b>4.7%</b>	<b>23.9%</b>
<b>Adjusted PAT</b>	<b>1,308</b>	<b>1,399</b>	<b>7.0%</b>	<b>25.2%</b>

\*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

