



November 6, 2023

Listing Department

BSE LIMITED

P. J. Towers, Dalal Street,

Mumbai-400 001

Code: 531 335

Listing Department

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

Exchange Plaza, C/1, Block G,

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 and half year ended on September 30, 2023.

Please find the same in order.

Thanking you,

Yours faithfully,

For, **ZYDUS WELLNESS LIMITED**

NANDISH P. JOSHI

COMPANY SECRETARY

Encl.: As above

Zydus Wellness Limited

Regd. Office: 'Zydus Corporate Park', Scheme No. 63, Survey No. 536, Khoraj (Gandhinagar), Nr. Vaishnodevi Circle, S. G. Highway, Ahmedabad – 382481, India.

Phone No.: +91-79-71800000; **Website:** www.zyduswellness.com

CIN: L15201GJ1994PLC023490

Q2 FY24 Earnings Presentation

November 6, 2023



Safe Harbour Statement

This presentation contains certain forward-looking statements including those describing Zydu 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 Zydu 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. Zydu 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 Zydu 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 – Q2 FY 24



Operating environment- Overview



Brand Highlights



The Road Ahead



**Financial Performance
&
Operating Environment - Overview**

**Zy⁺dus
Wellness**

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



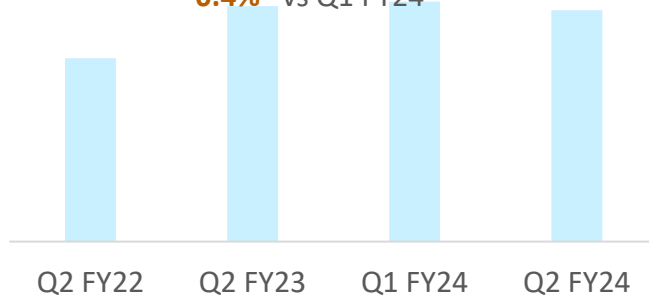
Global Macro economic factors

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

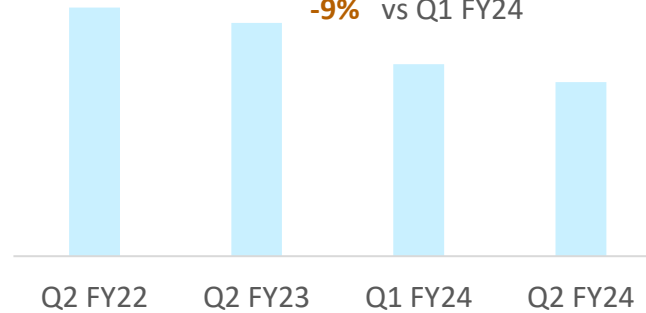
Milk

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



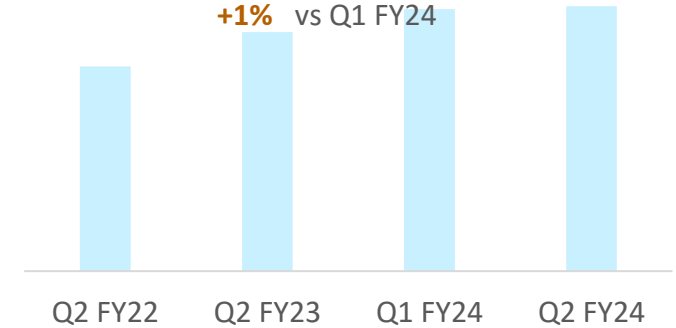
RPO*

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



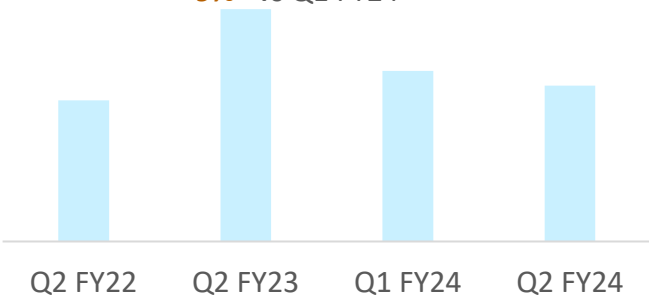
DMH*

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



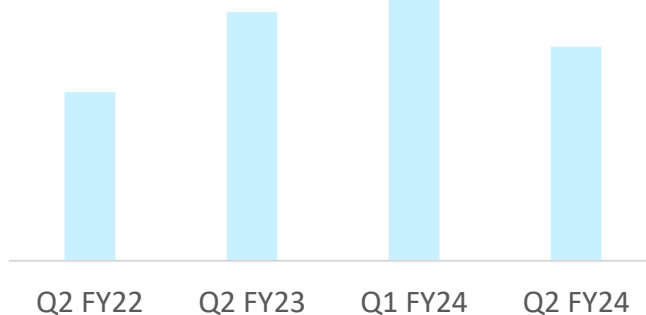
Aspartame

+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



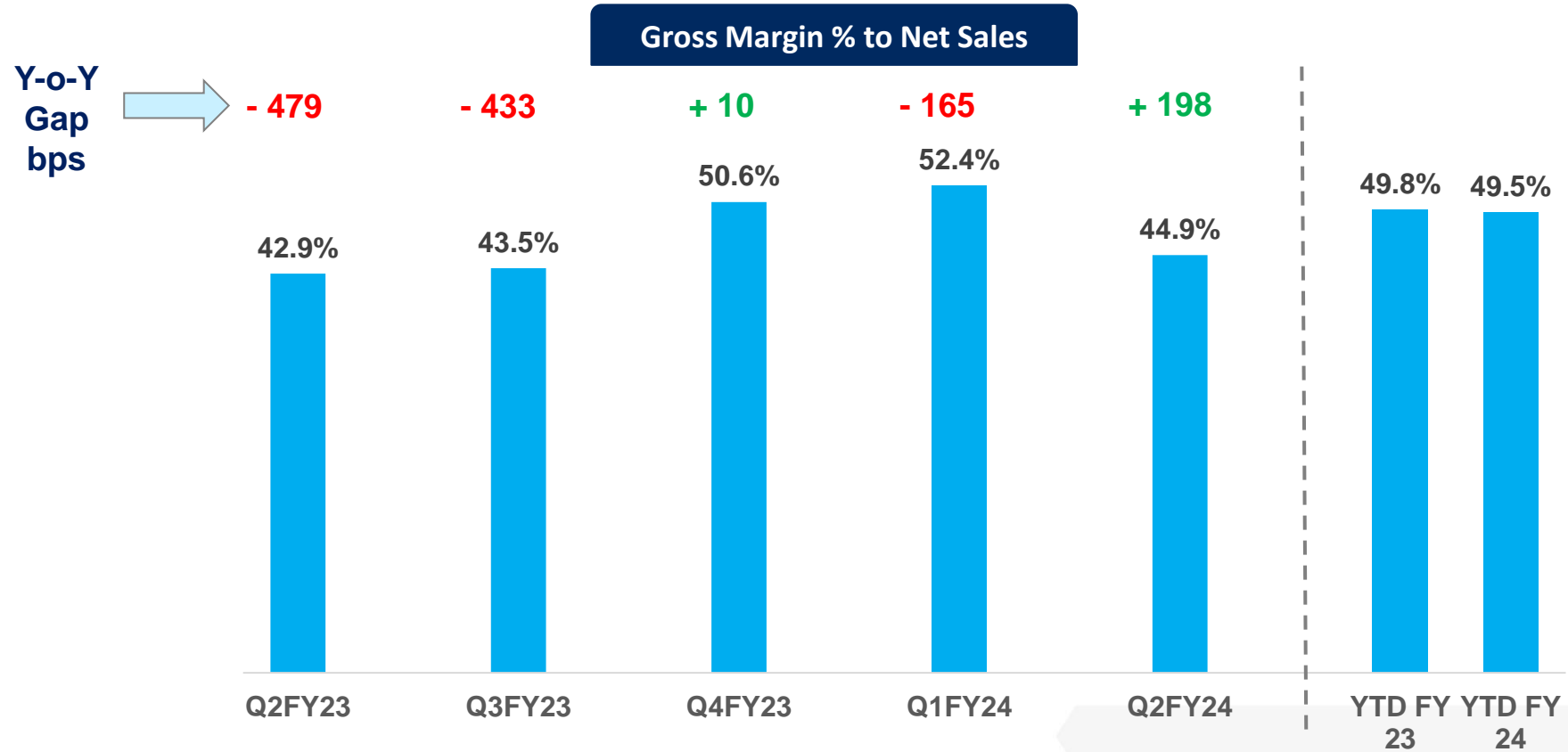
- ☐ Gross margin of non-dairy portfolio continued to improve
- ☐ Elevated price of milk continues to partially impact dairy portfolio's gross margin

*RPO- Refined Palm Oil, DMH- Dextrose Monohydrate

Gross margin recovery with right actions...

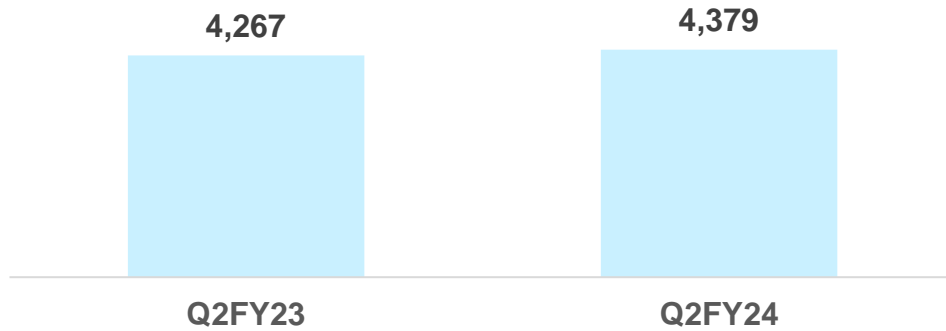
Continuous efforts to improve gross margins with calibrated price increases across portfolio at appropriate time without compromising on growth

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⁺dus
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

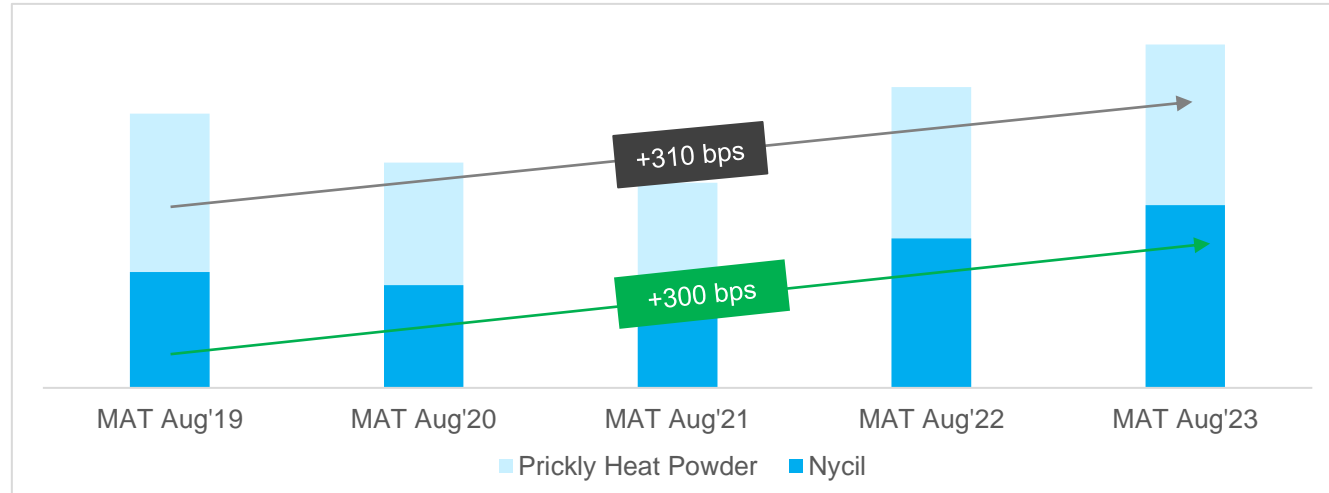
Building sustainable business performance



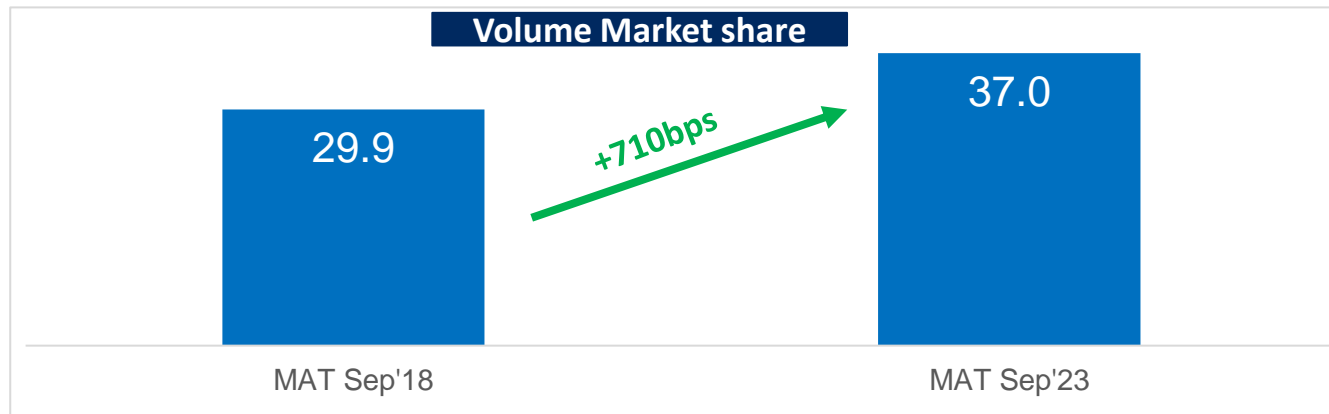
Driving the category growth



Driving the prickly heat powder category penetration#



Driving continuous volume growth*



*As per MAT Sep 2023 Nielsen report

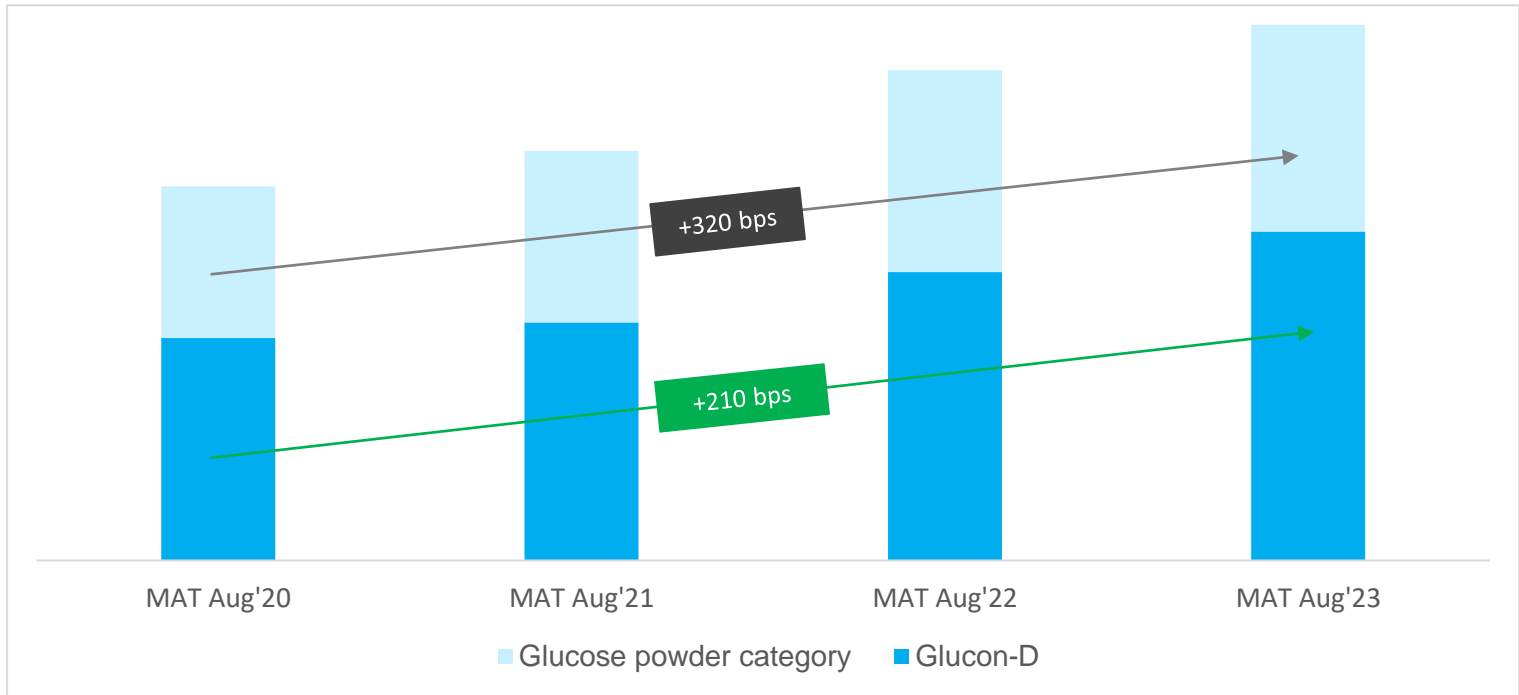
#As per MAT August Kantar World Panel Household data

Driving the category growth



*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 Glucose powder category penetration# Consumption impacted due to erratic weather



Driving the category growth



Driving market share

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



- ❖ 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

[^]Basis internal sales for Apr-Sep

Winning in Competitive Market



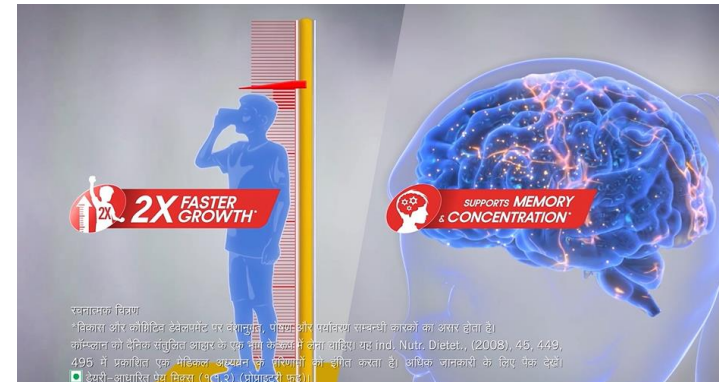
Growing faster than category

❖ Penetration[#] 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

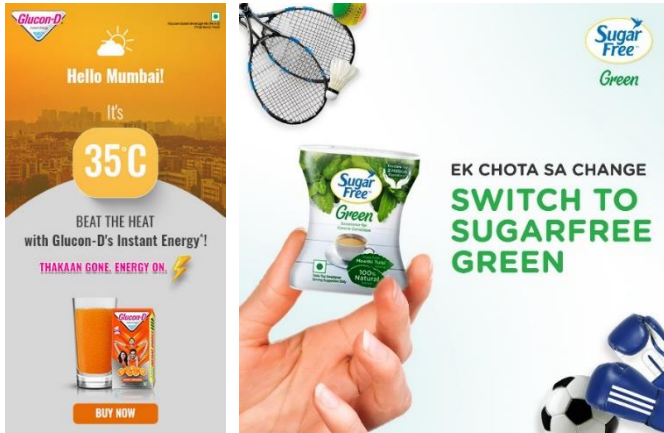
- ❖ Widening the portfolio basket
- ❖ Consistent double digit volume growth[^] in 9 out of last 11 quarters driven by a wide portfolio and supported by focused B2B and B2C teams
- ❖ Continued to support the brand with digital media, e-com channel activations and consumer sampling initiatives



Building relevance to new age consumers

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

1 Channel specific innovative marketing initiatives



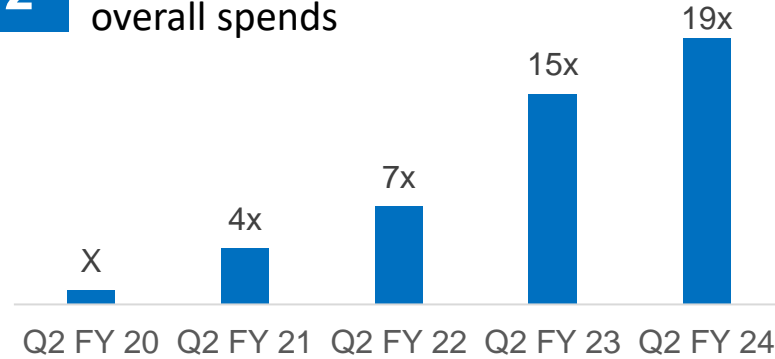
API based weather Ads

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

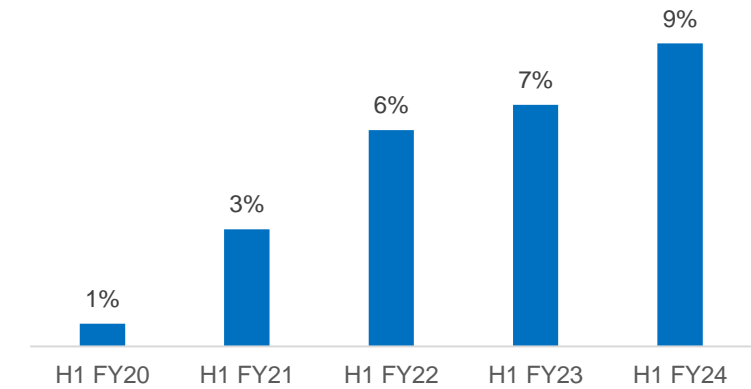
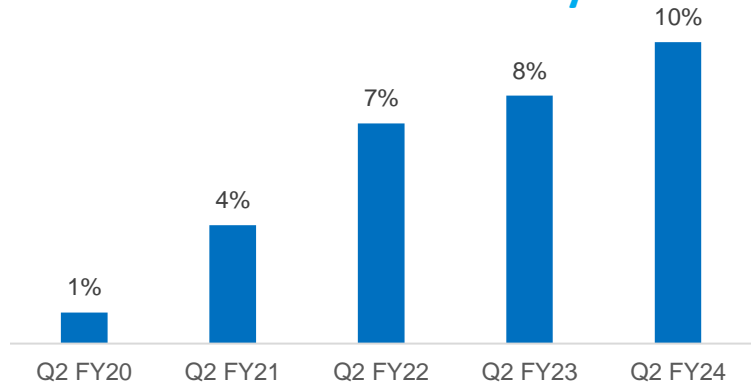


225g Powder Concentrate

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!

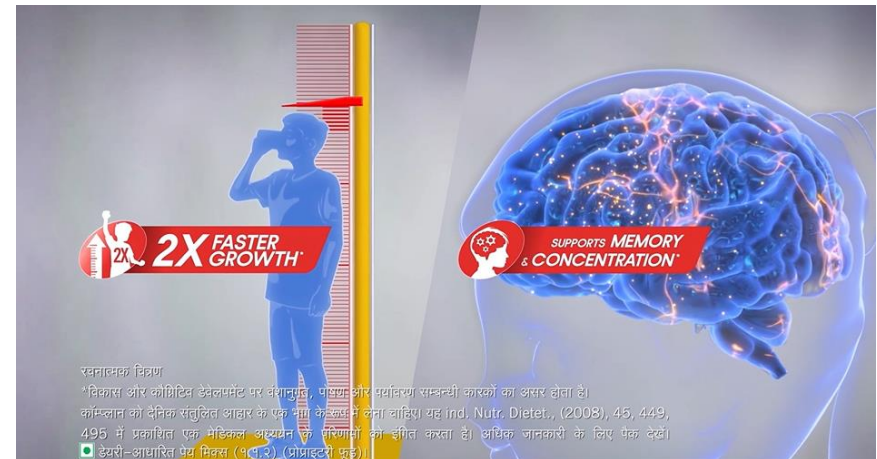
3 साल से कम उम्र के बच्चों के लिए इस्तेमाल न करें। अधिक जानकारी के लिए पैक देखें।
*त्वचा के रेशस, एलर्जिस और घमौरियों के संदर्भ में।



Campaign on Complan protein superiority



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



रचनात्मक चित्रण
*विकास और कोग्निटिव डेवलपमेंट पर बेशानुस, 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) (प्रोप्रोइटी 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



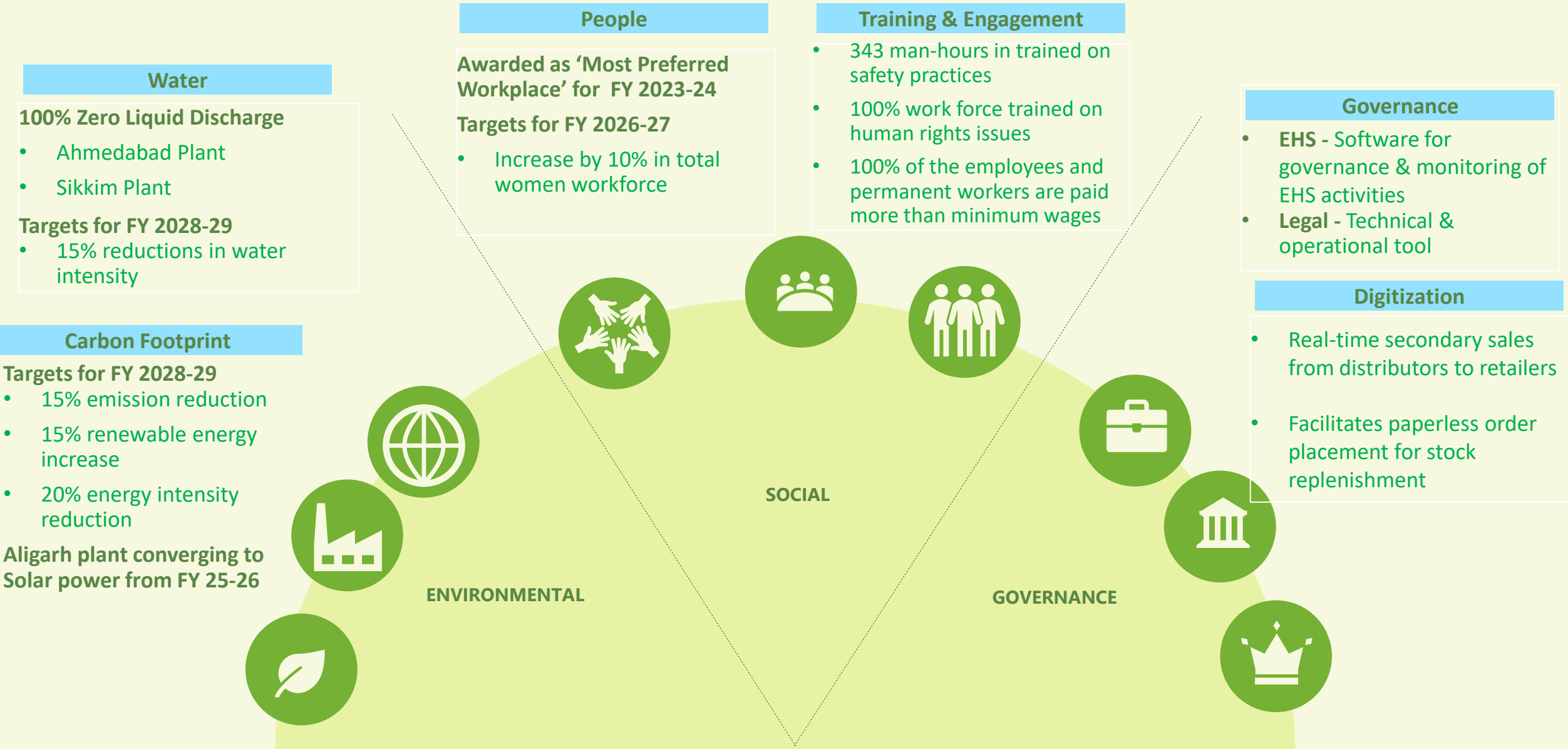
Chocolate Minis, Choco Almonds



Environmental, Social and Governance



Sustainable ESG Initiatives



The Road Ahead

Zy⁺dus
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



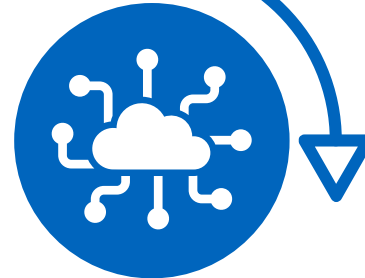
Leading Route to Market

- 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⁺dus
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%
Total Operating Income	4,401	4,294	2.5%	11,422	11,262	1.4%
Gross Contribution	1,989	1,859	7.0%	5,680	5,641	0.7%
<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%
EBITDA	168	162	3.7%	1,333	1,643	-18.9%
<i>EBITDA Margin</i>	3.8%	3.8%		11.7%	14.6%	
PBT	86	82	4.9%	1,162	1,481	-21.5%
Exceptional items	0	0	0.0%	142	29	
PBT (after Exceptional items)	86	82	4.9%	1,020	1,452	-29.8%
PAT	59	85	-30.6%	1,163	1,455	-20.1%
<i>PAT Margin</i>	1.3%	2.0%		10.2%	12.9%	
Adjusted PAT	59	85	-30.6%	1,305	1,484	-12.1%
<i>Adjusted PAT Margin</i>	1.3%	2.0%		11.4%	13.2%	

Zydus Wellness Limited

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