



“Zydus Wellness Limited  
Q2 FY ‘23 Earnings Conference Call”

November 10, 2022



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**MODERATOR:** **MR. MANOJ MENON – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 FY '23 Earnings Conference Call of Zydus Wellness hosted by ICICI Securities. 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 star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you, sir.

**Manoj Menon:** Hi, everyone. Representing ISEC, it's our absolute pleasure to host the senior management of Zydus Wellness for the second quarter fiscal 2023 results conference call. At ISEC, we have been covering Zydus Wellness for a long period of time and the research view stays constructive. For the results call, the company is represented today by Dr. Sharvil Patel, Chairman; Mr. Tarun Arora, CEO; Mr. Ganesh Nayak, Director; and Mr. Umesh Parikh, CFO. Now over to the management for the opening remarks, post which we'll open the floor for Q&A. Over to you sir.

**Tarun Arora:** Good afternoon. This is Tarun Arora, and welcome to the post-results teleconference of Zydus Wellness Limited for quarter 2 financial year 2022, '23. Like Manoj mentioned, we have with us Dr. Sharvil Patel, Chairman; Mr. Ganesh Nayak, Director; and Mr. Umesh Parikh, CFO. Consumer sentiments have gradually started to improve in urban areas, however, higher input costs have continued to impact the industry. Moreover, pick-up in rural demand has been slower than urban areas, which has resulted in down-trading. Consequently, we would say that our rural demand which contributes 25% of the total net sales has been a little subdued.

During the quarter, the company continued the growth momentum and registering a net sales growth of 12.3% on a consolidated basis, which was aided by a robust volume growth of 5% given the environment. And on a three year CAGR basis, the company sustained double-digit growth in net sales. Further, when we get into some other aspects of the business, softening of key commodity prices have provided some respite and would aid the business on an overall medium term basis. However, we've seen some level of volatility and the increase in milk prices remains unabated and has hurt the gross margin of dairy-related products, which is what's reflected in our numbers as well.

Moreover, some key inputs continued to remain high and have worsened the impact due to weakening INR and negatively impacted gross margins. The company is very conscious of this and is practically implementing price hikes at a portfolio level to mitigate these pressures on gross margins and should be recovering over the coming quarters as we move forward. As we continue to scale up on our direct distribution, the company has witnessed higher growth in distribution compared to the FMCG industry growth for the second quarter, as reported by Nielsen.

We have also strengthened our competitive position across all the categories that we lead by gaining market share in each one of them over the 2019 despite the disruptions in the interim. So that's one very important thing that I thought could be very relevant for all investors, because despite leadership, we are strengthening our market shares across the portfolio and wherever we are in the leading situation. Let me take you through the highlights of the consolidated financial

performance of quarter 2 financial year 2022, '23. During the second quarter of financial year 2022, '23, our net sales grew by 12.3% to INR 4,268 million. Our total income from operations grew by 11.9% to INR 4,295 million. Our other expenses grew by 15.1%, which was largely driven by increase in the cost of fuel hike like coal and husk and also the statutory revision in wage rate in Northeastern belt where some of our manufacturing facilities are located. And this came as a very short situation, didn't get as much time to react, but we should be able to address this as we move forward. EBITDA degrew by 46.8% year-on-year to INR 163 million. PBT before the exceptional items degrew by 60.9% year-on-year to INR 82 million. Reported net profit was down by 60% year-on-year to INR 85 million. 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 our market share of our brands during the quarter. Actually, before I get into it, I must also highlight, because you would have the P&L by now, we continued our investments on advertising and marketing because we believe that's the only way to build our business on a sustainable growth basis. And that's something we will see as we move forward. On the Glucon-D front, we continue to drive the growth of the brand post a good summer season through media activations, TV campaign during the quarter to leverage the second summer opportunity across our key markets.

As a result, the brand has registered a strong double-digit sales growth. Glucon-D has maintained its number one position with a value market share of 60.0% in the glucose powder category at a MAT September level, which is an increase of 157 basis points over the same period last year, as per MAT September 2022 report of Nielsen. On the Complian front, the health food drinks category continued to witness slowdown and similar trend was reflected for Complian as well. The category has been showing degrowth for last three quarters at an overall level as reported by Nielsen. However, with our interventions in terms of sachets and pouches launched in key markets and some in the pipeline, which will help us participate in a larger buyer of HFD market.

We see green shoots are already visible in terms of increasing market share of Complian, specifically in some channels like Modern Trade, E-commerce as we work with them. Brand market share stood at 4.6% in HFD category as per MAT September 2022 report of Nielsen. On the sweeteners front, Sugar Free brand continued to face headwinds of higher base and registered a flattish growth during the second quarter. We continue to focus on building and driving growth of Sugar Free Green, as a result of which, its direct distribution has doubled during the quarter on a sequential basis. Our new initiatives over the last three years on Sugar Free Green and Sugarlite contribute to now 14% of the sweeteners business, thus making us more future-ready. The Sugar Free brand continues to maintain its leadership with a market share of 95% as per MAT September '22 report of IQVIA.

On the personal care front, Everyuth brand registered yet another quarter with a strong double-digit growth. The brand was supported by TV and digital campaigns across its sub-segments like face wash, scrubs and peel-offs. Everyuth Scrub continues to maintain its leadership position with market share of 41.8% in the facial scrub category, which is an increase of 269 basis points over the same period last year as per MAT September 2022 report of Nielsen. Everyuth peel-off

has maintained its number one position with a market share of 75.7% in the peel-off category as per MAT September 2022 report of Nielsen. Everyuth brand is at a number five position with a market share of 6.5% at overall facial cleansing segment as per MAT September 2022 report of Nielsen. This covers face wash, face scrub and peel-off, all the facial cleansing segments. We are taking the benefit of prolonged monsoon in some parts of the country.

Nycil brand registered a strong double-digit sales growth supported by TV campaigns. Nycil has maintained its number one position with a market share of 35% in prickly heat powder category, which is an increase of 47 basis points over the same period last year as per MAT September 2022 report of Nielsen.

On the dairy and spreads category front, Nutralite continued to build momentum in overall business and delivered a strong double-digit growth in quarter gone by. Nutralite DoodhShakti dairy portfolio, which includes butter, spreads and ghee has delivered a strong performance backed by increased distribution drive, festival-specific digital activations and online recipe videos endorsed by celebrity Shilpa Shetty.

We expect revival in consumer demand on completion of normal monsoon and increased government spending. We also expect good demand led by festive season in the coming quarters. The company expects to improve margin on a sequential basis, the impact of which will be partially seen in the coming quarter with full impact being captured in the quarter 4 of the financial year. Thank you. And we will now start the Q&A session. Over to the co-ordinator for Q&A.

**Moderator:**

The first question is from the line of Manoj Menon from ICICI Securities.

**Manoj Menon:**

Sir, I got a few questions. I'll take one or two now and then I'll come back in the queue. One, while we could hear very clearly about -- your comments about urban, rural and how some of your brands have performed, in your opening remarks. The context of asking this question about demand is that some of the categories or many of the categories, which you have can be classified as discretionary between staples.

And in general, we have seen discretionary top end consumption even within consumer staples or FMCG has relatively performed well. And these are statements I'm making based on what I hear from other companies. So feel free to correct me if those understandings are incorrect for us. So the question here is, could you just give some more color in terms of, let's say, the SKU mix, channel mix, which may be giving an indication of confirming that, let's say, the top end of the consumer pyramid, whichever geography it is, is performing well.

The problem is largely with the mass market, poor consumers it's having sort of, let's say, an impact on penetration slowing down. So any further color, whichever cut at an overall level portfolio then or maybe if you can, at a brand level, would be super helpful?

**Tarun Arora:**

So I think what we've seen is, top end of the market, both in direct distribution, even the organized state which typically ends up selling larger packs, have done better than our sub-

stockist, super-stockist business, which caters to largely the lower pops strata in rural. And that I think really confirms with the fact that there is being a muted offtakes across the board, which is what you were also saying.

So at a larger perspective, we do see a better response from more affluent part of the market. We're just hopeful that things will change because the monsoon has been good, overall government spending has been there and we should see some revival coming back. Some of our categories where we have invested also because Glucon-D was coming back after two hard seasons, two hard years, we've also invested back in trying to get back growth post the peak summer of Jan, June. So we've invested there.

We've also seen good pick-up from both our primaries and secondaries. We will see when the full offtake reports are there, but we are seeing good absorption from the market in some of these categories also. Even Nycil saw some good offtake. Even the brands which come under, otherwise pressure, for example, Sugar Free, we've seen Sugar Free Green doing well, which is a little bit more premium to the base product, responding better. And that does well in also organized rate. So clearly, we see a better offtake from the more affluent, more upper segments.

**Sharvil Patel:**

I think if you look at the business as a whole, so first and foremost, I think it's important to note that we have had very good volume as well as value growth in this quarter despite of the challenges that have been there in terms of overall growth. So the brands are very strong leaders and they continue to demonstrate that with investments they are able to find better growth.

Obviously, it could have been better had the rural and other areas been better. But it's still good to see that they have reacted to it and shown better growth. The second also is that market share. And we have seen, other than Complan where we are still to solve for some of the things, that there have been good market share gains across the category. So I think the investment in terms of both direct distribution reach as well as some tactical investments on advertisement is all helping. Obviously, we're still judicious in terms of how we spend the money. But I think all of those are looks like it's positive sign for the brands that once we see some buoyancy because of the season now, we will see some better uptick in the market.

**Manoj Menon:**

And now one statement I found in the presentation about -- which is very heartening to note was the Sugarlite performance that it's doubling post every time series since launched. Does that apply for the current quarter also?

**Tarun Arora:**

Not really for the current quarter, because that's largely what has happened in the full year of every full year, but not the current quarter. But I can say that Sugar Free Green and Sugarlite now have become together a sizable portion of our business. And that's why we shared in my initial summary as well that they now contribute put together about 14% of our sweetener portfolio. And therefore, stevia-based products, which help us get more future-ready and open room for growth are contributing more meaningfully in the sweeteners. But yeah, that momentum is for full year.

**Manoj Menon:** And one follow-up on the marketing side of the business, and I have one question on sales, and I'll come back in the queue, is given that many of the categories or rather I would say most of the categories, you are the dominant player and you have the primary task of growing the market. The context is -- which also would mean that you have to be the innovation leader here. So any qualitative color? I respect the fact that there is a competitive angle comes in so there is only so much you will be able to disclose in a public forum. But any qualitative color which you could give in terms of the innovation pipeline which you have?

**Tarun Arora:** So for us, the way of growth, you're right, is through innovation and renovation. So as much as we are focusing on getting new products in, some of which are at a stage of the three year, five year window that we really evaluate each of these products. And one example is a body lotion, which got soft-launched last year will see some light of the day. But each of the existing products also goes through its own improvement and enhancement. And some of the existing products are already we worked and rolled out as we speak.

Like last year, we also had Complian being relaunched as a better tasting, stronger claims product. So each of these products go through that. For the future pipeline, we have some interesting innovations which should come through and should help us consolidate, but they will be largely around the brands we already have existing within the same category or adjacent categories.

**Manoj Menon:** Tarun, so just to decode what you just said, is it fair to then for me to understand that the renovation or innovation which you have done in the last, let's say, 12, 24 months, the ramp up of that over the next, let's say, 24, 36 months is likely higher growth driver than, let's say, completely new things?

**Tarun Arora:** Yes. These are the completely new thing, yes. There is a bigger -- more important to grow what we already have, and each one of them is large. So whether I take a DoodhShakti butter, I take a Sugarlite, I take a body notion, they have enough room for growth and we will obviously be driving at. The new ones pick, there is always a two to three year window which any new product needs. So new products, I can't say, there are one or two which have a good potential, but I will not carry my growth dependence on them. If they grow faster, sure. But largely, our growth thesis is based on what we already have in the market.

**Manoj Menon:** And again, going back to the presentation, it was very heartening to see the target of one million outlets that has reached from 600,000 which you have over the next three years, which is sort of a 60%-odd increase, which you are attempting. Now two questions there. One, if you could talk a little bit about the execution plans which you have, because this is a significant jump, at least in my career I've seen any company has even attempted of this sort of magnitude on a percentage terms. So just some color in terms of execution? Anything different in terms of structures you're doing, et cetera? Point number two, how do I think about this, let's say, from a modeling point of view for revenue growth? Let's say, like-for-like, if I have 100 index stock process, how much of extra growth which you could likely get assuming that you hit these targets of one million outlets from 600,000 in three years?

**Tarun Arora:**

Yes, I'll have this question because it comes often and it's a very interesting thing. If you look at -- and I'll use a bit of Nielsen and our own experience on this. Earlier, there was a very direct correlation between outlets and the sales. Over the last few years, that correlation has reduced. And factors, if you look at FMCG industry, the rate of growth of any brand, any category has been much lower in general trade than the number of outlets growth.

And that's why we are conscious of the fact that it will not have a very, very direct linear correlation with that. And to my mind, first of all, let me just point out, we were talking about 5.4 lakh, 5.5 lakh outlets just about six months back. So we've already implemented about half a lakh outlets as we speak over the last few months. We are working towards completing one lakh outlet enhancement for this financial year itself, which we'll do.

There is a steady plan of taking it up. There is also one new innovation or model which we want to test. It's too early to talk about it. In next year, year and a half, which will help us expand our coverage without taking a relevant increase in cost to serve. The other issue is, and because the number of outlets in general trade, traditional trade is going up, but the throughput per outlet is coming down. Therefore, there is a need to get more-and-more efficient, the need for us will be.

I don't want to get prolonged this conversation, I'll just touch the high levels because don't want to take away time to ask other business-related questions, but we will need to get more action about it. And the key role with new outlets will be, one will be the growth, the other will be also driving growth of NPDs, which otherwise do not go through the indirect channel. Those will be the key drivers for me to build our momentum around these.

**Moderator:**

The next question is from the line of Kapil Jagasia from Edelweiss Broking.

**Kapil Jagasia:**

Sir, my first question is on Complian, regarding the market share loss. So like we have been seeing that we have been introducing sachets and pouches and also entering into Nutrigro, just wanted to understand like how these initiatives have shaped up so far for us? And also, like if you would have internally decided on the timelines, probably you would be entering into the adult categories also or the diabetic population also. I guess, these segments are really large, which you would be planning to enter probably what even PediaSure does. So any timelines regarding this? So two questions attached into one.

**Tarun Arora:**

So first of all, I think our market shares otherwise have been stable. The category has gone through a large restructuring or reframing with a large focus on lower price packs. The sachets have, which used to be about 12% to 15%, now occupy 27% of the whole category. And we've been, I would say, behind the category in driving the sachet growth up. And that's one factor which has impacted our market share. So really speaking, in the part we play, which is basically the kid's segment, the bulk of the category with the large packs, I think our market shares are reasonably intact.

We did face some pressures because of the pouch packs which were competitively introduced, we have caught up with them. I don't see a market share challenge on that. But the restructuring of the market, reframing of the market which has happened due to these sachets, that will take

us few more months or maybe a couple of quarters to start catching up. My belief is, we should be able to catch up on those and get back to our normal market share journey that we had. So that's one piece, if I were to say.

As far as the other segments are concerned, they are a long gestation projects. We already have a Complan Nutrigro, which is in the toddler segment. We've seen some good progress on that, but it's still small for us to start talking about a significant shift there. I think adult is some distance away. And we need to first consolidate, get our numbers be right and then we look at more expansion beyond that.

**Kapil Jagasia:** So like where these sachets would be like? It would be more in rural areas or it's more in urban?

**Tarun Arora:** So it was largely a rural and more South and East phenomena about three, four years back. Today, it has also gone to North. It is also there in mass markets in urban areas as well. So the proliferation of sachets becoming 26%, 27% of the category really makes it a much wider reach. And given the pricing of this category being reasonably high and inflationary times, I think they've just been a space that we see is proliferating across the board.

**Kapil Jagasia:** And my next question is on the Nutralite portfolio. So over here, like what would be the proportion of dairy portion of the overall is, like the one which you have mentioned, Sugar Free Green as part of agenda Sugar Free portfolio? So the dairy would be how much of this Nutralite portfolio?

**Tarun Arora:** So we don't, I mean, this will be a very detailed break-up, we'll not be able to share that at this level. But we have seen good progress on the dairy side as well as the traditional core of Nutralite also. So overall, the brand has done well across the portfolio.

**Kapil Jagasia:** Sir, I understand that you are not able to give the break-up, but like going forward in the next three to five years, how much like the internal targets like? Can it be a INR 500 cores category in the next, say, five years, like any targets decided internally?

**Tarun Arora:** So Nutralite will be amongst the top four, five brands and will be sizable enough, if I could say.

**Kapil Jagasia:** And sir, just one last question from my side. In your presentation, it was the currency impact. So like which of the raw materials are usually imported here?

**Tarun Arora:** So directly, indirectly, a large portfolio has a currency impact. It could be the sweeteners, it has oils, it has got, I mean, quite a few things; flavors, fragrances. So there's a wide range of products which get impacted at overall level. Sweeteners in particular is direct.

**Moderator:** The next question is from the line of Shrenik Bachhawat from LIC Mutual Fund.

**Shrenik Bachhawat:** Sir, could you please explain how much is your rural mix and your total sales mix, because as you highlighted, rural is impacting us? So I just wanted to understand how much is the rural mix? And sir, my second question is, could you throw some light on the gross margin contraction, sharp contraction? I believe milk inflation would be the main reason for the sharp



contraction. So how will the milk inflation be impacting us in the third quarter? Have you taken the required price hikes or it will continue to impact us? Those two questions.

**Tarun Arora:** So first question is on the rural presence. So we have 25% of our annual sales comes from rural. And the second question that you have is...

**Shrenik Bachhawat:** The gross margin contraction?

**Sharvil Patel:** Gross margin and how will you cover that?

**Tarun Arora:** So we have already initiated price increases. Like I mentioned in my summary, we already initiated more than 2% price increase across the portfolio as we speak. And we do see, by various actions, we will work towards, we should see a progressive improvement on the margins as we move forward.

**Sharvil Patel:** And it's largely driven by milk.

**Tarun Arora:** Milk is the single largest impact that we've had. And to my mind, it is more of volatility, and therefore, may not be a sustained issue from a medium term perspective.

**Shrenik Bachhawat:** So milk is majorly used in the Complan and Nutralite DoodhShakti, right?

**Tarun Arora:** That's correct.

**Shrenik Bachhawat:** And you have taken the required price hikes for offsetting the inflation?

**Tarun Arora:** Yes, at a portfolio level.

**Shrenik Bachhawat:** So our milk inflation is not fully covered yet?

**Tarun Arora:** It takes, there's a lag, right? You can't get it overnight covered because of inventory as well as converting milk into SMP and then using it. So whatever we have tried to address, our effort is to get back to our current original margins.

**Shrenik Bachhawat:** But sir, in the Complan segment, are we able to take price hike, something like, as we don't have any big market share?

**Sharvil Patel:** So we can do it through a mix of actions. There is action on Complan and there is action on the portfolio level, because at the end of it, we have to deliver as a portfolio. So there is action within the milk portfolio and other products which could support it. That's the power of our brand, of the company at a portfolio level to work.

**Moderator:** The next question is from the line of Alok Shah from Ambit Capital.

**Alok Shah:** The first question is again on the gross margin, while the previous participant did ask a part of it. What I wanted to check was that, say for example, Aspartame was up in 1Q, is up in 2Q and in some of the portfolios, we have a very strong leadership position. So are we recognizing the

macro headwinds? Are we sort of delaying the price hike or you think that the required price hikes have already been taken? Because sequentially, if I look at the price mix, I don't see a lot of price hike being there. So just wanted to get your views on the same.

**Tarun Arora:** So Alok, I think we are taking price hikes, but there is always a lag. So it's not that we are not able to or we're delaying, we're just acting as and when they come. We don't want to be leading the price hikes which will impact the demand or -- because the consumer is also at this point in time quite stressed. We don't want to lose our volume business as well. So we are balancing and going step-by-step. But being leaders across the portfolio, our ability to take price hike is pretty good. It's just that there are newer things come up, it's a volatile situation. We cannot anticipate everything. So some of those things, therefore...

**Sharvil Patel:** I think, Alok, if you're to look at it this way, we have lot of elasticity in price, though it's not always finite, but in terms of other brands. Complan is the only brand where we are obviously not the leader and we have to play the role by which we can do appropriately in terms of competitive space. So that's where we'll always have more guarded in terms of what we do. And we don't always will have enough scope when it comes to Complan. But because we produce our own SMP, ghee and others, I think we have a lot of arbitrage to improve the overall portfolio to utilize, I mean, to absorb the price increases that happen on milk, but all those do have a lag. And plus, I think this volatility of sharp increase was not ever expected. So that has obviously taken all of us by surprise that we would signal going all the way to INR 53. So I think that's been the challenge. But by and large, brands have the capability to absorb any increases because of input prices.

**Tarun Arora:** And just to add a small thing that the government channels also have a lead time in getting the price corrections done. So it's a mixed bag, but we are at it.

**Alok Shah:** Second was on the Sugar Free portfolio. So while we recognize the base impact, but going ahead anything apart from the advertisement in Sugar Green and any placement of Sugarlite, structurally for the category development, because somewhere in the PPT you also mentioned that it has a potential to become the third largest brand globally. So what are your steps to become the third brand? Because I think while the latent potential is very high, but the size somehow seems to be quite small. So what are those key things that we are taking to ensure that the growth in Sugar Free sort of comes back?

**Tarun Arora:** So Sugar Free, I think needs to be looked at. And this, in the last six, seven years that we're looking at it. It has a kind of a yo-yo that we deal with. We've had good growth years and there have been years where we've not. On a medium term, if I look at it, any group of four to five years, I see a good single-digit growth that we are able to achieve. The unfortunate thing is, we're not able to push it up on a consistent basis to a double-digit, but good year is followed by a not so good year. And that's why, to my mind, while we are able to do a good 8%, 9% on a three to five year basis, we need to push that further. So there are two or three elements that we are looking at. One is to recruit new consumers, and that's where we believe Sugar Free Green and Sugarlite are some of the best basis ways to do that. The second is by addressing, continuing to address the concerns. And there are a couple of other ideas on the table, which we have started

exploring, which we'll share over a period of time. But suffice to say that, I mean, high-singles are clearly something we will have. Beyond that, we are still work in progress.

**Alok Shah:** And lastly, in terms of innovations. While, again, that has been touched upon. But somewhere I think a couple of quarters back you had mentioned that we will be looking at about two to three innovations a year. Just wanted to check where are we on that journey? Any changes to that plan that we are share earlier?

**Tarun Arora:** So we are on track with those. Our key thing is that right now we have some very exciting in the marketplace stuff like body lotion, stuff like DoodhShakti butter and Sugarlite. And they have enough room for growth and we are putting investments and we also have to balance our investments and what we put on the table. So we are on track on that. And we are investing behind R&D capability to have a strong pipeline.

**Moderator:** The next question is from the line of Ajay Thakur from Anand Rathi Securities.

**Ajay Thakur:** Sir, I have two, three questions. First was on the gross margin side. You had mentioned about the adverse mix which resulted into the gross margin kind of a compression. Can you just elaborate more on the adverse mix part of it? What was driving that? Was it the HORECA chain, channel, which actually is impacting us in that context?

**Tarun Arora:** So some part of the dairy byproduct portfolio, which at a gross margin level is slightly lower, it may not impact at the total level, but those things become a little bit larger, things like SMP and some part of the Nutralite portfolio. That's a mix impact. The biggest impact is the direct cost of milk which has impacted us.

**Ajay Thakur:** Second, sir, can you just indicate what would be the milk as a percentage of raw material cost for us right now as an, on an annual basis maybe, if that can be shared? And also palm oil, what percentage it would be as a percentage of the RM cost?

**Tarun Arora:** I will not be able to share as a percentage of mix, but I can tell you the milk is the largest and palm oil will be about third or fourth for us.

**Ajay Thakur:** And lastly, we have seen consistent erosion in terms of the Complian market share, but we already have launched the low price point SKUs, INR 5, I guess, INR 5, INR 10 and INR 20 price point. So when do you see that kind of getting arrested in terms of the market share losses? And also, can we expect some kind of a market share gains also to accrue because of the same?

**Tarun Arora:** So there are two parts to it. First of all, I think we've started rolling out in last five, six months. Not all markets, all sachets have been rolled out. We do it as up to right quarter 3, where the whole rollout will be complete. In last four months, we've already seen recovery of market shares because we share rolling MAT data. You may see it with a lag, but we're already seeing improvement in shares. And as specially mentioned, some of the channels also are responding better.

**Moderator:** The next question is from the line of Shirish Pardeshi from Centrum Broking.

- Shirish Pardeshi:** Yes, Hi Tarun, I have got three questions. Starting with Complan as a category, if you have the number, what is the exit September category decline in terms of volume for HFD?
- Tarun Arora:** I don't remember the volume, but I remember, it was minus 3% for January, January-September minus 3% category.
- Shirish Pardeshi:** Nine months you are saying?
- Tarun Arora:** Yes, January to September.
- Shirish Pardeshi:** And that minus 3% is value or volume?
- Tarun Arora:** Value.
- Shirish Pardeshi:** So I'm sure because most of the market leaders is also cutting down the prices and trying to give free lease. So obviously, value, if it has declined, volume would have definitely taken a hit. But against that, what is the average industry would have taken a price increase in HFD? Maybe what, 11%, if my number is right?
- Sharvil Patel:** No. Actually, the price has dropped because of two accounts. Some of the large players moved in a large packs, 500 gram packs. They dropped in the first stage to almost 20% drop and they've improved some price of -- their effective price over the last two, three years would be per unit price would have dropped by 15%, 16% in my guess. And then the sachets have taken over, they've pushed sachets very hard, INR 5 sachet. And that market over the last three, four years have grown from 14%, 15% to 26% or 27%. So average realization per gram on this market is actually declining.
- Shirish Pardeshi:** Second on the Everyuth. Again, if you could share or help me even personal care has taken, if we see most of the companies who would present a personal care. So in terms of exit, again, the Everyuth category, which is largely into the skin, has also seen the decline?
- Sharvil Patel:** I mean, we are at a stage where we are so, we are in a more double-digit growth. I have seen of late face wash which was very low growth has revived a little bit. But the fact is that our dependence is very large on scrubs and peel-off, and we have seen good positive double-digit growth around that. Face wash has also grown well for us. So overall, we are growing faster than the category at a good double-digits.
- Shirish Pardeshi:** Yes. That's exactly which I was trying, because if I remember, the exit June number which I have seen, the face wash category has declined almost 6%. But I just wanted to know on the sequential basis, has it declined further or it has improved?
- Tarun Arora:** No, it has improved. Last I remember, I will just have a look at it. I think it has improved. I saw some improvement in face wash. And personally, I was not very, seeing good numbers earlier, but I have seen an improvement there. Clearly, there is a positive move.

- Shirish Pardeshi:** So what I gather, you are saying that face wash is, maybe may not have grown much faster, but peel-off and scrub has grown faster and that's why our growth for the entire personal care is higher of double-digit?
- Tarun Arora:** Yes, we've got a good, high double-digits growth across the portfolio.
- Shirish Pardeshi:** And the other question I was wanting to ask, you said, you have taken some price increase, but what is the quantum of price increase happened in quarter 2?
- Tarun Arora:** So at the beginning of the year, we had talked about 7.5%, 8% price increase. We have taken a further price increase implemented now about 2%-plus, which is going to get, I mean this is already implemented, and we'll take further calls as we go forward.
- Shirish Pardeshi:** And just last question on Slide 5, you have given most of the raw material price index. Now in the price index, if you have the number, what is the sequential inflation we have seen as a basket? Has it gone up substantially about 6%, 7% or it's just marginally gone up?
- Umesh Parikh:** On a Y-o-Y basis, keeping the COGS same as the same volume level, it is about 8%.
- Sharvil Patel:** He is saying sequentially.
- Umesh Parikh:** Sequentially it is...
- Shirish Pardeshi:** That is Y-o-Y, sir. Umesh Bhai, can you give me a sequential?
- Umesh Parikh:** On a sequential basis, it is about 3.5%.
- Shirish Pardeshi:** So you mean to say that 3.5% is the inflation and half of that we have taken through price increase. So maybe it explains that about 200 basis points has happened because of COGS?
- Umesh Parikh:** Yes.
- Sharvil Patel:** It also will depend on the future product mix how do we manage our right products.
- Moderator:** The next question is from the line of Tejash Shah from Spark Capital.
- Tejash Shah:** Just an extension of a question from the previous participant. So should we assume that the private dimension that we have made in the recent quarter is good enough for us to revert back to earlier margin, let's say, by fourth quarter or can it happen earlier as well? It is actually on raw material as they stand today?
- Tarun Arora:** By fourth quarter, I think we should certainly be able to fully catch up. We are hopeful, we are going -- I mean, we're managing it month-on-month. But quarter 4, we should be back to normal.
- Tejash Shah:** And just wanted to ask...

**Sharvil Patel:** Tejash, also we have to see in the context of how the Zydus Wellness business is. The fourth and first quarter are where close to 83%, 84% of our profits are, and the last two quarters are very small. So while we have had a very big headwind in terms of price increases. But in terms of the overall company, these two quarters are the smallest quarters when it comes to our profit, which obviously, over the period of time, we need to improve the see that we have stability there.

But I think while we have had degrowth, I think the degrowth is not as severe because these are very-very small quarters and have small INR 3 crores to INR 4 crores, INR 5 crores change and anything could made a big difference. But meaningfully, over the year, because of the strong brand, I think we are still in a good place as long as we're able to make the right product mix and the price changes that we have made.

**Tejash Shah:** Second, just wanted to check apart from pricing and prevention at consumer end, have you come any customer promotion or credit promotion to protect margins?

**Tarun Arora:** No, not really. I think nothing, we've actually focused on investing for growth. There may be a little bit here and there, but largely, we have focused ourselves on growth, and therefore, no aggressive cuts. You had to do it in the COVID years when the business has dropped substantially. This year, we'll have a single mindset of driving for growth and managing the inclusion. So that's the growth we are following.

**Moderator:** As there are no further questions, I now hand the conference over to the management for their closing comments. Over to you, sir.

**Tarun Arora:** Thank you everyone for participating in the teleconference call. We'll see you next year in quarter 3 call. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.