Operator: Ladies and gentlemen, good day and welcome to the Zota Health Care Ltd. Q1 FY27 earnings conference call, hosted by EY Investor Relations. As a reminder, all participant lines will be in 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. I now hand the conference over to Mr. Ajit Mishra from EY Investor Relations. Thank you, and over to you, sir. Please proceed.

Ajit Mishra – EY Investor Relations: Thank you to all the participants for joining the Zota Health Care Ltd. Q1 FY27 earnings call. I am Ajit Mishra from EY Investor Relations. Before we proceed with the call, let me remind you that this discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with the business risks that could cause future results, performance, or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

Please note that we have mailed the press release, presentation, and results, and the same are available on the stock exchanges and the company website. In case you have not received them, you can write to us, and we will be happy to send them to you.

To take us through the Q1 FY27 results and business performance and to address your questions today, we have the top management of Zota Health Care Ltd., represented by Himanshu Zota, Founder and Whole-time Director; Moxesh Zota, Managing Director; and Dr. Sujit Paul, Group CEO. We will start the call with opening remarks and a brief overview of the performance for the quarter gone by, followed by a question-and-answer session.

With that said, I will now hand over the call to Moxesh Zota. Over to you, sir. Thank you.

Moxesh Zota – Managing Director: Hello, am I audible?

Operator: Yes, sir. You are audible. Please proceed.

Moxesh Zota – Managing Director: Thank you, Ajit, and hello, everyone. Thank you for joining us today. We appreciate your time and continued interest in the company. I hope you have had an opportunity to review our Q1 FY27 financial results, press release update, and detailed investor presentation, which was uploaded yesterday.

We are pleased to begin FY27 on a strong note, continuing the momentum built over the last few years. During the first quarter, we delivered robust growth across our operations, supported by the sustained expansion of the Dava India network and increasing consumer acceptance of affordable healthcare solutions.

One of the key highlights of the quarter was the continued expansion of our retail footprint. During Q1 FY27, we added 264 new Dava India stores, taking our total store strength to 2,825 stores across the country as of June 30, 2026, while serving nearly 60 lakh customer visits during the quarter.

Importantly, this expansion is in line with the strategic milestones and growth objectives we had outlined, reflecting our ability to consistently execute on our commitments. This growth reflects the increasing relevance of our value proposition and our commitment to improving access to quality and affordable medicines nationwide.

Beyond expanding our retail footprint, we continue to strengthen our underlying healthcare ecosystem, which will support the company's next phase of growth. During the quarter, we increased our investment in Dava India Healthsmart Limited through a rights issue, furthering our commitment to scaling India's largest organized private-label pharmacy platform.

In parallel, we continued to support the growth of emerging healthcare and wellness platforms through investments in subsidiaries such as KMS Health Ventures Limited and Curex Health Ventures Private Limited. These investments are aligned with our broader vision of creating a diversified healthcare ecosystem beyond traditional pharmacy retail.

Through initiatives such as Hugo Generic and Zia, we are building additional consumer touchpoints that can complement our existing retail network and create new long-term growth opportunities. While these businesses are currently in the initial rollout phase, we believe they can significantly expand our addressable market over time.

While we remain excited about the significant opportunity ahead, our approach continues to be focused on sustainable and disciplined growth. As previously communicated, we intend to moderate the pace of store expansion during Q2 FY27 and focus on improving productivity, monitoring operational trends across recently added stores, and strengthening store execution. This approach will ensure that growth remains healthy and scalable over the long term.

We remain confident in the strength of our business model, the scale of the opportunity in affordable generic healthcare, and our ability to create long-term value for our stakeholders.

With that, I will now hand over the call to Mr. Himanshu, who will take you through the financial and operational performance in greater detail. Thank you. Over to you, Himanshu.

Himanshu Zota - Founder & Whole-time Director: Thank you, Moxesh. Now let me talk through the key financial and operational highlights of Q1 FY27. We started the year with strong business momentum and delivered healthy growth across our core operations.

During the quarter, revenue from operations grew by 67.6% year-on-year to 17,360 lakh, driven primarily by the expansion of the Dava India network and growth in existing stores. Our gross profit stood at 10,756 lakh, while gross margin improved to 61.96%, reflecting the strength of our business model and product mix.

From an operational perspective, the Dava India network expanded to 2,825 stores, comprising 1,855 COCO stores and 970 FOCO stores. During the quarter, we added 264 stores, including 201 COCO stores and 63 FOCO stores, while closing 2 COCO stores and 16 FOCO stores as part of our regular business optimization process. Therefore, we added a net 246 stores during the quarter.

Customer engagement metrics also continued to improve. Quarterly footfall increased to approximately 60 lakh customers compared to about 35 lakh customers in the same quarter last year. Total GMV reached 16,402 lakh, highlighting the increased scale and productivity of our retail network.

The quarter also witnessed continued investment toward building a strong and more integrated healthcare platform. Our investments in subsidiaries, technology initiatives, and brand-building efforts are aimed at creating a sustainable foundation for long-term growth while enhancing customer reach and experience.

Looking ahead, our focus remains on improving store-level productivity, driving operational efficiency, strengthening brand awareness, and prudently expanding our network. We believe these initiatives will support sustainable growth and position us well to capitalize on the significant opportunity in the Indian affordable healthcare market.

With that, we would now like to open the floor for questions and answers. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Astha Jain from Hem Securities. Please go ahead.

Astha Jain - Hem Securities: Hello. Thank you for the opportunity, sir. I want to understand why our employee expense has increased so much. Considering that we are not expanding or building new stores in Q2 and Q3, and we also build out these stores and add employees two quarters before adding a new store, why has employee expense increased so much this quarter?

Moxesh Zota - Managing Director: We have already added 200 stores this quarter as well. Therefore, the employee expense added is in line with those 200 additional stores. In the last quarter, we had booked approximately {? 6 crore ?}, or 599 lakh, as an exceptional item. We had booked 599 lakh separately as an exceptional item according to the new wage code. Therefore, compared to employee cost, it is aligned with the stores.

Astha Jain - Hem Securities: But, sir, we add employees two quarters before we open a store, correct?

Moxesh Zota - Managing Director: How can it be two quarters earlier? Why would we hire them 6 months earlier? Normally, we hire employees in the same month in which the store opens or 1 month before the store opens. We do not hire them 2 quarters earlier. We spent {? 17 crore ?} on marketing. Other expenses have increased because we have invested in brand building. We have appointed Dhoni, and if we do not market him, then what is the point? Rather, Mr. Sujit, you can answer this better.

Dr. Sujit Paul - Group CEO: Yes, certainly. What happens is that if you look at last year's marketing cost, it was—

Management: —to 18 crores. Now, you have to understand a paradigm, and that is that the company is growing. With the growth of the company, we cannot have such low marketing costs because this is also a new business for India at large.

India is driven by branded pharmacies or branded medicines. If we have to change the perspective from branded to generic, we have to start building awareness among end consumers through patients. That is where, in the current quarter and in the subsequent quarters ahead, I am telling you in advance that you will see the difference moving. Only then will the country change. Otherwise, the country will take a very long time to change. That is where you are seeing the difference. I trust that I am clear.

Astha Jain – Hem Securities: Understood. So, will other expenses continue growing at this rate, given that—

Management: They have to, because you can look at any industry that has taken shape where it is a new entry. Let me give you an example. Usually, people used to go to banks for tellers. After that, ATMs came, and then UPI came. You can see how much advertising Google is doing for GPay on television. You must have seen those advertising commercials for UPI, correct? The same applies to PhonePe or anything else.

If that movement does not happen, the country will not change, because it is a pattern and a buying habit. Especially in medicine, it is a much more serious buying habit.

Astha Jain – Hem Securities: Correct. Just one last question with respect to employee expense. How should we look at it going forward?

Management: Employee expense will move in line with the number of stores. As the number of stores increases, employee expense will increase accordingly. The current employee expense is already aligned. There will not be any drastic change. As we increase the number of stores, employee expense will increase according to the store count.

Astha Jain – Hem Securities: Okay. Thank you.

Operator: Thank you. The next question is from Niharika Agarwal from Nirmal Bang. Please go ahead.

Niharika Agarwal – Nirmal Bang: Hello, sir. Thank you for the opportunity. Can you quantify the gap between a mature Dava India store and a new store in terms of monthly revenue, gross profit, and EBITDA? I would also like to understand how long it takes for a new store to reach mature economics.

Management: We have already provided the complete data in the presentation this time. We have separately provided the revenue for stores that are 2 years old, 1 year old, and stores opened last year. Normally, a store reaches a mature level in 12 to 15 months, or between 12 and 18 months. It reaches revenue of 2.2 to 2.5 lakh. After that, it gradually reaches between 6 and 7 lakh over 3 to 4 years.

If I talk about the vintage, we have 231 stores that were opened between 2021 and 2024. Their last-quarter Q1 GMV per store per month was roughly 4.13 lakh per store per month. Even at 4.13 lakh, store-level EBITDA would be approximately 15%, meaning store-level EBITDA is positive at around 12% to 15% at this level.

These stores have also grown quarter-on-quarter. For example, last year these stores delivered 7.5% quarter-on-quarter growth, which translates to roughly 30% annual growth. Therefore, SSG will be very strong.

Niharika Agarwal – Nirmal Bang: As a follow-up to that, what percentage of the network is currently EBITDA-positive at the store level, and what percentage is still below breakeven?

Management: We have already provided this as well. For example, our 231 stores are generating 4,13,000. After that, the 617 stores that we opened in 2024-25 reached 2,28,000 in the last quarter. Therefore, they have more or less reached maturity.

The 803 stores that we opened in the last financial year, 2025-26, generated revenue of 1,60,000 in the last quarter. They are below average and have not yet matured. They will also mature over the next 2 to 3 quarters.

Therefore, approximately 800 stores, plus the 200 stores that we opened in Q1, or roughly 1,000 stores, are at the non-mature stage.

Niharika Agarwal – Nirmal Bang: With these stores turning EBITDA-positive and store additions also moderating, can we expect to turn EBITDA-positive over the next few quarters through operating leverage, or are we still expecting some significant costs that will keep the company loss-making?

Management: We will become EBITDA-positive over the next 2 to 3 quarters. We were also EBITDA-positive in the last quarter, as per the data. However, if we talk about cash losses, our cash loss will end in 3 to 4 quarters, roughly in Q1 FY28.

Niharika Agarwal – Nirmal Bang: Okay. Thank you, sir.

Operator: Thank you. The next question is from Swaraj Mehta from Perpetual Capital Advisors. Please go ahead.

Swaraj Mehta – Perpetual Capital Advisors: Hi, am I audible?

Management: Yes, sir.

Swaraj Mehta – Perpetual Capital Advisors: Thank you very much for the opportunity, and congratulations on a great set of numbers. My question is regarding the 15 to 17 crore marketing expense. Will it be annualized to 65 to 70 crores now?

Management: It all depends on what is needed. Ideally, that should be the case, but we are very careful about spending money. If you look at it carefully, this expense was at a very low level last year. There are possibilities for growth, but I do not foresee it growing to that level. Ideally, it should, but we are trying to be careful about utilizing the money for opening stores.

Swaraj Mehta – Perpetual Capital Advisors: Understood. What led to the increase in wallet share in COCO stores this quarter? Did it happen passively, or were steps taken to achieve it?

Management: Multiple steps were taken at the ground level toward increasing the size of the wallet as well as through brand-building exercises. That is what Hemanshu was explaining a while ago.

Swaraj Mehta – Perpetual Capital Advisors: Can you describe qualitatively some examples of the steps taken to increase it?

Management: Yes, of course. When I say at the ground level, I primarily mean BTL activities, including conducting numerous camps around the stores, sensitizing people, conducting roadshows, village council fairs, village council activities, municipal corporation activities, and subdistrict activities to drive and increase footfall and increase ticket size.

There were numerous activities conducted store by store, depending on the state and the cluster in which the store is present.

Swaraj Mehta – Perpetual Capital Advisors: Gross margins have been slightly volatile—not within a very large range, but somewhat volatile. Despite Dava India revenue increasing this quarter, gross margin dropped by 1.5% this quarter. What was the reason for this?

Management: You would have seen the kind of impact caused by the war and the impact on the cost of raw materials—

Management: No, no, please continue, Hemanshu. Sorry, I was in the flow of answering. Please go ahead, Hemanshu.

Management: The reason is that input costs have increased because of the war, and they have increased for all companies. You can see that the cost of packaging materials has increased considerably, so our input costs for products have also increased.

This slight decrease happened because of that. Gradually, over the next 2 to 3 quarters, it will return to that level because we will make some additional price adjustments and increase the MRP going forward. Therefore, it will return to that level. This is only for 1 or 2 quarters; going forward, it will return to that level.

Swaraj Mehta – Perpetual Capital Advisors: Great. We acquired Globo Tech IT Consultancy. What was the objective behind acquiring this company?

Management: Primarily, as an organization, we are probably the only organization in India that is growing in this space while also trying to maintain a very strong gross margin, very strong numbers, and continuous growth momentum.

What does that mean for us as an organization in the weeks, months, and years ahead? It means that we are becoming an enterprise in ourselves. When any organization tries to become an enterprise, a lot of costs are added in terms of information technology.

This is where we will try to use this organization to ensure that we have a strong internal IT mechanism that will serve as a backbone for us and reduce our dependence on external IT companies.

There will be two advantages. First, we will have very strong data security, as everything will flow internally across companies and subsidiaries. Second, there will eventually be a significant cost benefit internally.

Swaraj Mehta – Perpetual Capital Advisors: I wanted to get some clarity on the ambassadors. Which ambassadors have been appointed for which brand, and how will we see them being monetized going forward?

Management: First of all, we do not believe in monetizing ambassadors, and I do not agree—

Swaraj Mehta – Perpetual Capital Advisors: No, I wanted to ask how they will, you know, how they will—

Management: I will answer. Give me a minute. I have understood your question, but I wanted to be clear because I want to make things very clear about the ambassadors.

Mr. Suniel Shetty and Mahendra Singh Dhoni have primarily been appointed for Dava India at large. Mr. Akshay Kumar is primarily for Zota Health Care Ltd. and its related subsidiaries, such as Ugo Generics and so on.

Swaraj Mehta – Perpetual Capital Advisors: Understood. Just one last question. We invested 2 crores each in Kia and Ugo Generics this quarter. What investments have been made in these businesses, how has the response been, and how do we see them progressing going forward?

Management: Kia will just be starting now, so Kia is currently a startup. We have also just started the pilot for Ugo, so that will also be starting now. From next quarter, you will gradually see the activity begin.

Swaraj Mehta – Perpetual Capital Advisors: Okay. Thank you.

Operator: Thank you. The next question is from Trushank Jani from Moneybee Securities. Please go ahead.

Manan – Moneybee Securities: Hello, sir. Manan here. Is it fair to assume that the interest and depreciation we are reporting largely represent our rental expense?

Management: Currently, interest and depreciation consist of approximately 27 crore of depreciation and 6.35 crore of finance cost. Therefore, this expense is roughly 32 crore. Out of this, 18 crore to 18.5 crore will be rent. The rest is actual depreciation and the Ind AS impact expense.

Manan – Moneybee Securities: Understood. So only 18 crore was the rental expense for the quarter—

Management: Yes, approximately 18.5 crore, or roughly 19 crore, will be rental expense. The rest will be actual depreciation and the Ind AS impact.

Manan – Moneybee Securities: Understood. If I remove the marketing and advertising costs that we incurred during the quarter, is it fair to assume that we would now be at cash breakeven?

Management: Not now, but within 2 or 3 quarters. Within perhaps Q4 or Q1 of the next financial year, we will be at cash breakeven or possibly cash-positive.

Manan – Moneybee Securities: What would the cash burn for the quarter be in that case?

Management: If I talk about the current quarter, the PBT is 43-44 crore. If I remove depreciation and the Ind AS impact, approximately 14-15 crore will be removed. Therefore, the current cash loss is 30 crore.

If I reduce the additional marketing expense of 10 crore from the 30 crore, the current loss will be 20 crore. This 20 crore quarterly cash loss will end over the next 2 to 3 quarters, approximately. At the end of Q4 of this financial year, or possibly Q1 of the next financial year, we will be completely cash-positive.

Manan - Moneybee Securities: Understood. My next question was regarding the SSG data that we showed. Is that primarily for COCO stores, or for COCO and FOCO stores combined?

Management: It is primarily for COCO stores. The SSG data is only for COCO stores.

Manan - Moneybee Securities: Understood. We are not refreshing the number of stores under each time duration. This data is reported only for these stores, correct? We are not refreshing it based on newer stores being added to each timeframe.

Management: We wanted to show an like-for-like comparison, so we included only stores up to December 2023. From the next quarter, we will keep adding 1 quarter at a time because we included only stores up to December 2023. If I want to compare Q1 and Q2, I need to take 2 quarters of data. That is why we used data up to December 2023.

Management: I need to have the Q2 and Q1 data available for comparison. That is why.

Manan - Moneybee Securities: I understand that, but currently, for stores that are 54 months plus or 39 to 54 months plus, the number of stores in each timeframe has also remained constant for the past 2 or perhaps 3 quarters.

Management: The number of stores remains the same, but their vintage increases by 3 months every quarter. When you discuss it in the next quarter, 3 months will be added to each quarter's vintage.

Manan - Moneybee Securities: Understood. For the stores not covered in this, how are they performing? For example, stores that may be around 1 to 1.5 years old—what sort of run rate are they at, and how is the scale-up or SSSG happening there?

Management: We have added a new slide to the presentation this time on vintage-wise SSSG. We have already included it in the presentation.

For example, as you may have seen, there are very few stores in the 54-month-plus category, but we have presented the data year-wise. There are 234 stores that were opened between 2021 and 2024. After that, there are 617 stores that were opened in 2024-25, and 803 stores that were opened in 2025-26.

We have provided all this data quarter-on-quarter as well. We have also provided the Q1 sales of the 803 stores. The Q1 sales per store per month for the 803 stores that we opened last year were 1,60,000.

This is in line with our other data because their average age is only 6 to 7 months. Therefore, at an average age of 6 months, sales of 1,60,000 are in line with our data.

Manan – Moneybee Securities: Understood. This time, we—

Operator: Mr. Manas, please rejoin the queue. Participants are waiting. Thank you. The next question is from Mr. Chanchal Seth from Girik Capital. Please go ahead.

Chanchal Seth – Girik Capital: Many congratulations on a good set of numbers. The operating data seems encouraging, both at the individual store level and in terms of increased wallet share and customer footfall. These are lead indicators showing how the model is being accepted in the market.

I have a couple of questions. Could you refresh us on whether any of the store economics pointers have changed compared with a couple of years ago, in terms of rent, manpower, operating expenses, or store-level inventory? You have increased the number of SKUs significantly over the last 2 years. Has the investment required for stores changed, or have store economics typically changed compared with what we started with 2 years ago? That is my first question.

I also have some bookkeeping questions. You mentioned that this quarter's GMV conversion to revenue dropped further. In the last 2 quarters, it was tracking at approximately 93% to 94%, but this quarter it came down to 87%. Why is that?

My second bookkeeping question is regarding advertising spend. Does this investment continue at this run rate over the next 4 quarters, or is it somewhat lumpy, with a higher expenditure accounted for this quarter that will normalize going forward? Could you elaborate on that? I will come back afterward.

Management: If I talk about the stores, at the initial stage, when we started {? BOKO ?}, we had established the rent, size, and other parameters. After that, over the last 3 years, we have opened several stores. For example, we opened 617 stores in 2024-25, 803 stores in 2025-26, and another 1,400 stores—800 and 600—and 200 stores this quarter.

The size of all these stores, their average rent, and their average manpower cost will remain the same. There is no drastic change. There may be a 2% to 3% increase, but it remains the same.

The positive aspect is that a new store is somewhat better than an older store because acceptance of generics is higher, our marketing expense has increased, and brand building has taken place. As a result, new stores are reaching maturity faster. Previously, stores would reach maturity in 15 to 18 months, whereas some new stores are maturing in only 12 to 15 months.

This is also reflected in the 12-month data and the 12-month SSSG performance. Stores that are 15 months old are generating lower GMV than our 12-month-old stores. This is also reflected in the numbers.

You may continue, Manas.

That answers one of your questions. Regarding your second question about GMV versus revenue, this relates to FOFO stores. We had also shown in the last conference call that, in FOFO stores, we refer to the invoices they generate as GMV, whereas revenue is our sales.

Earlier, what would happen was that the franchisee stores would take goods from us, but they might not generate the invoice in real time in the software. Because of this, it was not reflected in GMV.

The difference was previously lower, but currently their invoices are gradually being generated in GMV. Therefore, the gap between GMV and revenue will increase, and this is applicable to FOFO stores. There is no difference in COCO stores. The difference that existed earlier is still present. It is the GST difference.

Therefore, the 94% to 95% figure relates to the data before the change in GMV last year. If you look at the data before and after GST, there is a 6% to 7% difference.

Chanchal Seth – Girik Capital: Correct. The last 2 quarters were around 94%, tracking closer to the GST difference, but this quarter it came down to 87% on an overall basis, including COCO and FOFO. I was trying to understand whether the difference is largely due to FOFO. Is that what you are saying?

Management: There is no problem in COCO. In FOFO, the difference is because of the way they invoice their sales.

Chanchal Seth – Girik Capital: On the store economics, have margins improved, or are you facing some pressure on store-level margins? Have store economics performed better than your expectations or below expectations?

Management: Margins will improve. You would have seen that on a year-on-year basis, our gross margin was 56% last year and has increased to 62%.

Margins will improve going forward. Compared with the last quarter, there has been a slight decrease this quarter due to the war situation. This is applicable for 1 or 2 quarters. We will return to that number in the next 2 to 3 quarters, and we are targeting that level.

Margins will improve further as our sales increase and we achieve operating leverage. Therefore, the margin will improve again.

Operator: Thank you, sir. The next question is from Harsh Shah from Seven Rivers Holdings. Please go ahead.

Harsh Shah – Seven Rivers Holdings: Hello, am I audible, sir? If I look at the last 3 quarters, we have opened almost 650 stores. Based on the economics of those stores, we incur 1.2 lakh in operating expenses per store per month. Ideally, the incremental expense for these 650 stores should have been around 23 crores, including rent, whereas the actual expense increase has been almost 56-57 crores.

Is this entire 33 crore increase over the last 3 quarters attributable to marketing expense?

Management: In the last 3 quarters, we incurred approximately 17 crore of marketing expense in the last quarter alone. Other expenses also include supply chain expenses, which increase as sales increase. Supply chain expenses will be aligned with sales.

Harsh Shah – Seven Rivers Holdings: Since marketing expense is a large component, at almost 10% to 12% of revenue, I have a suggestion. Could you disclose it as a separate line item going forward? It would make it easier for us to understand the marketing expense trend.

Management: Definitely. We can consider it, and from next quarter onward, we will definitely do that. No problem.

Harsh Shah – Seven Rivers Holdings: Around 370 of our stores are more than 21 months old. Based on the monthly vintage sales that you provide, these stores should ideally now be generating 30% to 35% store-level EBITDA margins. Is that happening? Is the cohort of stores that are more than 21 months old generating margins of more than 30%?

Management: How can a 21-month-old store generate a 30% margin? A 30% store-level EBITDA margin is normally achieved after 4 years, or 4 to 5 years. That is when the store normally generates 30% store-level EBITDA.

A store normally reaches breakeven in 12 to 15 months, or in 18 months. After that, EBITDA increases by 5% to 7% year-on-year. For example, in the second year, it generates 3% to 4% EBITDA; in the third year, it generates approximately 12% to 15% EBITDA; in the fourth year, it generates 20% EBITDA, or 20% to 22%; and in the fifth year, it generates approximately 30% EBITDA.

Harsh Shah – Seven Rivers Holdings: Of the approximately 660 stores that are more than 15 months old, how many would currently be loss-making?

Management: We have already provided this. That is what I said—we have given a separate slide this time. For example, the 803 stores that we opened in the last financial year are generating 1,61,000, so they are loss-making.

The 617 stores opened before that are generating approximately 2,28,000, so they are more or less above breakeven and are not loss-making. Therefore, eventually, the 234 stores and the 617 stores, or roughly 850 stores, will be above the mature level.

Harsh Shah – Seven Rivers Holdings: I understand that, at the cohort level, the 617 plus 234 stores should be above breakeven. However, some of those stores may still be loss-making. Out of those 851 stores, how many would be making losses?

Management: For example, we opened 617 stores in 2024-25. Out of those, perhaps 50 stores may be below the average of 2,28,000. They may, for example, be generating 1,80,000, while another 100 stores may be generating 3.5 to 4 lakh. Therefore, the average will be 2.28 lakh.

Normally, approximately 10% of stores are below average, and 10% of stores are above average.

Operator: Harsh sir, we request you to rejoin the queue. Participants, please limit your questions to 2 for fairness to all. Should you have a follow-up question, we request you to rejoin the queue.

The next question is from Yash Rathi from Mangal Keshav Securities. Please go ahead.

Yash Rathi – Mangal Keshav Securities: Hello. In the last 4 quarters, we have seen a similar level of store additions, but this year there has been margin deterioration, which, as you said, is mainly attributable to marketing expenses. However, the management commentary is becoming cautious regarding the expansion phase. Can you provide some insight into this?

Management: Can you please repeat the question? We could barely hear you.

Yash Rathi – Mangal Keshav Securities: Am I audible? In the last 4 quarters, we have seen a similar level of store additions, but this quarter there has been margin deterioration, which, as you said, is mainly attributable to marketing expenses. However, the management commentary is becoming cautious regarding the expansion phase. Can you provide some insight into this?

Management: Can you repeat that? The audio is quite disruptive. Can you come closer to your device, please?

Yash Rathi – Mangal Keshav Securities: Am I audible? In the last 4 quarters, we have seen a similar level of store additions, but this quarter there has been margin deterioration, which is mainly attributable to marketing expenses. However, the management commentary is becoming cautious regarding the expansion phase. Can you provide some insight into this?

Management: Are you asking about store additions or about expenses?

Yash Rathi – Mangal Keshav Securities: Store additions.

Management: I think he is asking about expansion.

Management: Regarding store additions, we added approximately 200 stores in Q1. We had planned to add 600 to 650 stores during the current financial year. Therefore, we will add another 400 stores over the next 3 quarters. Our second quarter will be somewhat slow. The third—

Management: The short-term slowdown in the quarter will be temporary, and we will return to that level. We are targeting 400 stores during the last 2 to 3 quarters, or 400 stores for the year. We have already completed 200. We need to add another 400 to 450 stores over the next 3 quarters.

There will be some slowdown in Q2. From Q3, in Q3 and Q4, we will return to that level. We are very confident that we will open 400 to 500 stores during the year and will achieve that target.

Yash Rathi – Mangal Keshav Securities: Can you let us know what the Q1 FY26 marketing expenses were?

Management: They were approximately 12 to 15 crore rupees in Q1. For example, the full balance was approximately 3 to 4 crore rupees. Three to four.

Management: I would like to add one point regarding the multiple questions I am hearing. Please understand that there has been no major growth in marketing expenses. Please study the sheet once carefully. Where do you see any major growth in marketing expenses? Please study the sheet properly.

You can see the sheet. The expenses comprise the addition of brand ambassadors and some necessary marketing. Please go through the numbers, and then you will get a clear understanding of them.

Yash Rathi – Mangal Keshav Securities: It is visible from my side.

Operator: Thank you, sir. The next question is from Arman from Blue Sky FinTech. Please go ahead.

Arman – Blue Sky FinTech: First of all, congratulations on the strong growth in GMV and revenue. I have a question for clarification. When we say that we will become EBITDA-positive in 2 to 3 quarters, we have already slowed down store expansion somewhat this year, and we added 200 stores in Q1.

Our EBITDA margin in FY26 was around 3.5%. If we are going to reach EBITDA breakeven in 2 to 3 quarters, should we understand that we may remain negative at the overall EBITDA level this year and see a significant improvement in FY27?

Management: If you are referring to PBT, then rent also comes into EBITDA through depreciation. If I talk about pre-Ind AS, as I mentioned, we will be cash-positive in the next 2 to 3 quarters this year. We will not be EBITDA-positive, but we will be cash-positive.

Next year, as you rightly said, this will be significantly cash-positive. In other words, next year will be strongly cash-positive.

Arman – Blue Sky FinTech: I understand the point about cash-flow-positive. However, I am referring to the reported EBITDA number. Our reported EBITDA margin in FY26 was 3.5%. Should we understand that this margin may remain around breakeven this year and show a significant improvement next year, at the operating level?

Management: If I talk about operating profit according to the balance sheet, we were EBITDA-positive in the last quarter as well. We were EBITDA-positive in the last quarter. In this quarter alone, we became EBITDA-negative again.

From the next quarter onward, at this level of store additions, we will become EBITDA-positive again. From the next quarter, we will be EBITDA-positive again, depending on the number of stores.

Arman – Blue Sky FinTech: So we will be positive at the EBITDA level from the next quarter itself. Can we improve on the reported EBITDA margin of approximately 3.4% to 3.5% that we achieved in FY26 during this year as well?

Management: Yes, we will be better than that. For the full financial year, we will be better than that. Overall, for the full year, we will be significantly better.

Arman – Blue Sky FinTech: Thank you very much.

Operator: Thank you. The next question is from Mr. Dev from Seven Rivers. Please go ahead.

Dev – Seven Rivers: Thank you for taking my question. My first question is about marketing expenses. You have indicated that you will spend 50 to 60 crores on marketing this financial year.

How are you measuring the ROI of these marketing expenses?

Management: Could you speak a little louder, please? For some reason, I can hear you very faintly.

Dev – Seven Rivers: I wanted to understand how you are measuring the ROI of these 60 crore marketing expenses for this financial year.

Management: Where did you get the figure of 60 crores for marketing expenses?

Dev – Seven Rivers: You mentioned it, correct? You said approximately 15 to 20 crores this quarter, so if you annualize that figure, it would be closer to 50 to 60 crores.

Management: Please tell me how much is being spent on marketing expenses per quarter.

Management: In this quarter, we spent 15 to 17 crore. In the last financial year, we spent 18 crore for the entire financial year. For the full year, we spent 15 to 16 crore. In this quarter, we spent 15 to 16 crore.

Dev – Seven Rivers: So are we assuming that 15 crores will continue for the next few quarters, taking it up to 60 crores?

Management: No, no, no. That is exactly what I will explain.

First, let us break this down. Marketing expenses have 2 components: ATL and BTL. BTL is primarily what we do at the store level. ATL refers to above-the-line activities.

ATL has a component relating to the brand ambassadors we have appointed, including their fees and so on. The second component is producing commercials with them, and the third is media spend.

When you appoint a brand ambassador, the fee is not paid continuously. There may be 3 or 4 tranches spread across the duration of the brand ambassador's engagement. The film or commercial that you produce with the brand ambassador may also be a one-time expense.

Therefore, to answer your question and provide clarity, the expense will not be spread evenly across all quarters. That is why I wanted to explain discreetly how the spending occurs. We will not apply a uniform spread across all quarters.

Dev – Seven Rivers: What marketing spend are you forecasting for this financial year?

Management: It will depend on the need. For example, last year it was mostly for Dawaa Dost. In fact, someone asked about the 3 brand ambassadors, and we explained that they were Shiamak Davar, MS Dhoni, and Akshay Kumar for Dawaa Dost.

Now we also have Mr. Akshay Kumar for Zota Health Care Ltd. Therefore, it will be based on the need. We have been extremely careful about this over the last 2 years. People who have been associated with us have seen that.

Dev – Seven Rivers: I agree. However, there must be a certain budget that the board is working with in terms of marketing expenses. As shareholders, it would be fair for us to know, because this is a large expense. What should we expect in terms of the marketing budget for this financial year?

Management: We foresee a figure close to around 40-45 crores.

Dev – Seven Rivers: 40 to 45 crores. I think that answers the first question. My second question is regarding Himanshu's statement that we plan to reach EBITDA breakeven in the next 2 to 3 quarters. Are we referring to pre-Ind AS EBITDA breakeven, which is currently negative 16%? Are we expecting this to move toward breakeven over the next few quarters?

Management: If we talk about pre-Ind AS, we will be EBITDA-positive on a pre-Ind AS basis approximately in Q4, or possibly Q1. If I talk about overall EBITDA, we were EBITDA-positive at the company level in the last quarter.

If I am talking about normal EBITDA rather than pre-Ind AS, we were EBITDA-positive in the last quarter, but in this quarter we became EBITDA-negative again. From the next quarter onward, we will again return to positive EBITDA.

However, if we talk about pre-Ind AS EBITDA, we will become pre-Ind AS EBITDA-positive in Q3 or Q4, or possibly Q1 of the next financial year.

Operator: Mr. Dev, please rejoin the queue. Thank you.

Operator: The next question is a follow-up question from Mr. Chintan Seth from Girik Capital. Please go ahead.

Chintan Seth – Girik Capital: Thank you. I think you clarified my question. The full-year marketing spend will be 40 to 45 crore. My point earlier was that the 15-17 crore spent and expensed this quarter was lumpy in nature and will not carry forward into the coming quarters. The full-year spend of 40-45 crore is what we are budgeting for the current year, compared with 18 crore last year. Is that the correct understanding?

My second question is regarding store-level EBITDA margin. You mentioned that you have provided a detailed slide, which explains a lot about the maturity of the stores. Could you also provide, for the 234 stores opened between 2021 and 2024, the blended movement in store-level EBITDA margin?

That would be an interesting metric to monitor going forward. We continue to invest in store expansion, but we would also like to see how the mature stores are performing in terms of profitability. Could you highlight how these stores are performing on a blended basis, or provide post-rental EBITDA at the store level?

Management: Let me give you a simple example. Normally, my store generates revenue of 2.5 lakh. If it generates revenue of 2.5 lakh, the margin on that would be 65% to 66%. Conservatively, although the margin is normally 68%, if I calculate a 60% margin on 2.5 lakh, my gross margin at the store level would be 1,50,000.

Expenses would be between 1,25,000 and 1,30,000. After 1 or 2 years, there will be some acceleration in expenses, including rent acceleration and employee-cost acceleration. Therefore, gradually, assume that the expense becomes approximately 1,50,000, or between 1,40,000 and 1,50,000, after 2 years.

At 2.5 lakh of revenue, the store reaches breakeven. After that, you can see that normally my store's monthly revenue increases by 1 lakh every year.

For example, if revenue is 2.5 lakh in the second year, it will be 3.5 lakh at the end of the third year, then 4.5 lakh, then 5.5 lakh, and then 6.5 lakh. If you look at the overall trend, you will see that normally annual sales increase by 1 lakh per month, or by 12 lakh over 12 months, on a year-on-year basis.

If sales increase by 12 lakh, then at a 60% margin, approximately 7 lakh to 7.2 lakh, or roughly 10% to 12% EBITDA, becomes positive on a year-on-year basis. This increases every year.

Chintan Seth - Girik Capital: One minute, sir. My simple question was that if the 234 stores are generating 4 lakh of monthly revenue, and I apply a 60% gross margin, the gross profit would be 2.5 lakh. If I consider 1.5 lakh as operating expenses, we would be earning 90,000. That translates into EBITDA. We would be earning more than 20% EBITDA in this cohort of 234 stores, correct?

Management: That is the correct understanding. We are earning 20%.

Chintan Seth - Girik Capital: That is all I wanted to know. The simple math was all I wanted to understand. Thank you. All the best to the team, and I look forward to connecting again. Thank you.

Operator: Thank you, sir. The next question is from Amit Mishra from Daksham Capital. Please go ahead.

Amit Mishra - Daksham Capital: Thank you for the opportunity, sir. My question is regarding the demand-supply gap in the industry. Currently, we have around 2,800 Dawaa Dost stores in India, while there are roughly 20,000 Jan Aushadhi stores, with a target of approximately 25,000 stores. They are also operating in the same segment. We also have other players such as MedPlus and several others that are expanding rapidly.

What is the current penetration level in the industry, and what kind of headroom do we have as we expand?

Management: I will provide some data. India has approximately 8 to 9 lakh pharmacies, give or take. If you look at organized retail players excluding Jan Aushadhi, there are currently approximately 14,000 to 15,000 stores. That is the gap between the total number of pharmacies in the country and organized retail.

You also mentioned Jan Aushadhi, so I will add to that. The underlying question is what kind of room we have. There is a huge opportunity because, including {? COCO and FOFO ?}, we have approximately 12,500-plus stores. We have 1,855 COCO stores, with the balance being FOFO stores so far.

The opportunity is very large. That is why Dawaa Dost is growing rapidly. One reason is that the country is shifting from branded to generic medicines. We are at the point of observing branded-versus-branded growth, branded-versus-generic growth, and generic-versus-generic growth in the market. These data points are publicly available.

In view of this huge opportunity, we are benefiting from the first-mover advantage in capturing the market. We are pursuing the deepest possible penetration, which is why, as you can see in the presentation, we have penetrated across the country through multiple models.

Amit Mishra – Daksham Capital: How many stores do we generally target per city before we see any kind of saturation?

Management: If you look at India as a whole, we proceed cluster-wise. You have seen this in states such as Uttar Pradesh and West Bengal. We break the states down into cities and towns and then into clusters.

It depends on the potential. Some cities may have higher potential, while others may have lower potential at this point. A one-size-fits-all approach does not make business sense for us. Therefore, we go where there is a larger opportunity for generic adoption and related growth.

Amit Mishra – Daksham Capital: Understood. Thank you, sir.

Operator: Thank you. The next question is from Randhir Kumar Singh from Randhir H. Please go ahead.

Operator: Mr. Randhir, please go ahead.

Randhir Kumar Singh – Randhir H: Hello?

Management: Yes, sir. You are audible.

Randhir Kumar Singh – Randhir H: Thank you for taking my question, sir. I joined a little late and have missed many things, so I would like to summarize what I have understood from what I heard. In FY27, our EBITDA margin will be higher than FY26 on a full-year basis. Am I correct, sir?

Management: Yes, you are right. Absolutely right.

Randhir Kumar Singh – Randhir H: When we ramp up expansion somewhat aggressively from Q3 and Q4, our EBITDA margin will still not be lower than last year's margin, correct?

Management: It definitely will not be lower because our older stores are becoming mature. The number of stores at the mature level is increasing. Because the number of mature stores is increasing, even when we become more aggressive going forward, there will not be a significant impact on EBITDA.

Randhir Kumar Singh – Randhir H: That is all, sir. Thank you.

Operator: Thank you. Ladies and gentlemen, due to time constraints, we will take this as the last question. I now hand the conference over to Dr. Sujit Paul for closing comments. Over to you, sir.

Dr. Sujit Paul: Thank you very much to everyone for being present on this call. Thank you to the Managing Director, the Whole-time Director, {? Mr. Amol Shah ?}, and the moderator. It has been a pleasure to be part of this call and answer the questions that came through.

At Zota Health Care Ltd., we take pride in helping build the India that I believe we all aspire to create. Primarily in chronic disease management, including cardiology, diabetes, gastroenterology, pediatrics, and obstetrics and gynecology, we have been establishing a very strong foothold through Davaindia. We are working to penetrate India at large and provide accessible and affordable healthcare medicines to everyone.

In this journey, we have also understood that India requires much deeper penetration. We have explained how we are trying to initiate this through our other subsidiaries and brands. This exercise is driving significant top-line growth, bottom-line growth, and profitability for us. It makes strong business sense in the short term and the long term and is helping build a very strong foundation for the company.

This organization strongly believes in values and in the culture of its people, consumers, customers, investors, shareholders, and all related stakeholders. We take pride in that.

As an organization, we are trying to build a very robust business that is not only viewed from a business perspective but also helps build a larger and better India through affordable healthcare as a model, using multiple models and business dimensions.

I thank you all sincerely, and I wish all of you continued good health. Thank you. Victory to India.

Operator: Thank you. On behalf of Zota Investor Relations, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.