August 20, 2026

To,
The Manager
Listing Department,
**The National Stock Exchange of India Limited**
Exchange Plaza,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051.

Dear Sir/Madam,

**Trading Symbol: ZOTA**

**Sub: Transcript of Earnings Conference Call on financial results for the quarter ended June 30, 2026**

**Ref.: Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

With reference to the captioned subject; we, Zota Health Care Limited ("the Company"), would like to inform you that the Transcript of Earnings Conference Call on financial results for the quarter ended June 30, 2026 hosted by the Company on August 14, 2026 to discuss Operational and Financial performance for the quarter ended June 30, 2026, is enclosed herewith. The same is available on the website of the Company and can be accessed at below mentioned link:

https://www.zotahealthcare.com/wp-content/uploads/2026/08/Zota-Health-Care-Limited-Q1FY27-Earnings-Call-Transcript-.pdf

This is for your information and record.

Thanking you,

Yours faithfully,

For **Zota Health Care Limited**

Ashvin Bhagavanbhai Variya
Digitally signed by Ashvin Bhagavanbhai Variya
Date: 2026.08.20 18:49:43 +05'30'

**Ashvin Variya**
**(Group Company Secretary & Compliance Officer)**
**Place:** Surat

**Encl.**: a/a

# "Zota Health Care Limited Q1 FY'27 Earnings Conference Call"

**August 14, 2026**

**MANAGEMENT:** **MR. HIMANSHU ZOTA – FOUNDER AND WHOLE-TIME DIRECTOR, ZOTA HEALTH CARE LIMITED**
**MR. MOXESH ZOTA – MANAGING DIRECTOR, ZOTA HEALTH CARE LIMITED**
**DR. SUJIT PAUL – GROUP CHIEF EXECUTIVE OFFICER, ZOTA HEALTH CARE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Zota Health Care Limited Q1 FY27 Earnings Conference Call hosted by EY Investor Relations. As a reminder, all participant lines will be remain 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 then zero on your touchtone telephone. I know had conference over ajit Mishra from EY Investor Relations. Thank you and over to you please proceed.

Please note that this conference is being recorded. I will now hand the conference over to Mr. Ajit Mishra from EY Investor Relations for opening remarks. Thank you and over to you, sir.

**Ajit Mishra:** Thank you to all the participants for joining Zota Health Care Limited Q1 FY27 Earnings Call. I am Ajit Mishra from EY Investor Relations. Before we proceed to 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 our business risks that could cause future results, performance, or achievement to differ significantly from what is expressed or implied by such forward-looking statements. Please note that we have mailed the press release, presentations, results, and the same are available on the exchange and company website. In case if you have not received the same, you can write to us and we will be happy to send the same over to you.

To take us through Q1 FY'27 results, business performance, and address your questions today, we have the top Management of Zota Health Care Limited 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 an opening remark on the brief overview of the performance for the quarter gone past, followed by 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:** 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 all had opportunity to review our Q1 FY'27 Financial Results, Press Release Update and detailed Investor Presentation which was uploaded yesterday.

We are pleased to begin FY'27 on a strong note continuing the momentum built over the last two years. During the 1st Quarter we delivered robust growth across our operations, supported by a sustained expansion of the Davaindia Network and increasing consumer acceptance of affordable healthcare solutions.

One of the key highlights of the quarter was the continued expansion of the retail footprint. During Q1 FY'27, we added 264 new Davaindia stores, taking our total store strength to 2,825 stores across the country as of June 30, 2026. While serving nearly 60 lakh customer footfalls during the quarter.

Importantly, this expansion is in line with the strategic milestone and the growth objective 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 of quality and affordable medicine nationwide.

Beyond expanding our retail footprint, we continue to strengthen our underlying healthcare ecosystem that will support the company's next phase of growth

During the quarter, we increased our investment in Davaindia Health Mart Limited through right issue, further reinforcing our commitment towards scaling India's largest organized private-label pharmacy platform. In parallel, we continue to support the growth of emerging healthcare and wellness platforms through investment in subsidiaries like KMHP Ventures Limited and Curexis Ventures Private Limited. These investments are aligned with our broader vision of creating a diversified healthcare ecosystem beyond traditional pharmacy retail.

Through these initiatives such as UGO Generic and SKIA, we are building additional consumer touchpoints that can complete 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 significant opportunities 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 FY'27 and focus on improving productivity, monitoring operation trends across recently added stores, and strengthening the store's 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 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 financial and operational performance in greater detail. Thank you. Over to you Himanshu.

**Himanshu Zota:** Thank you Moxesh.

Now, let me talk through the key financial and operational highlights of Q1 FY'27:

We started the year with a strong business momentum and delivered healthy growth across our core operations. During the quarter, revenue from operations grew to 67.6% Y-O-Y basis to INR 17,360 lakhs, driven primarily by expansion of the Davaindia network and growth in existing stores.

Our gross profit stood at INR 10,756 lakhs, while gross margin improved to 61.96%, reflecting the strengths of our business model and product mix. From an operational perspective, the Davaindia network expanded to 2,825 stores, comprising 1,855 COCO stores and 970 FOFO stores.

During the quarter, we added 264 stores, including 201 COCO stores and 63 FOFO stores, while closing two COCO stores and 16 FOFO stores as a part of our regular business optimization process. So, we added a net 246 stores in this quarter.

Customer engagement metrics also continued to improve quarterly footfall, increased to approximately 60 lakhs customers compared to about 35 lakhs customers in the last year this quarter. Total GMV reached INR 16,402 lakhs, highlighting the increased scale and productivity of our retail network. So, the quarter also witnessed continuous investment towards building a strong and more integrated healthcare platform.

Our investment in subsidiary, technology initiatives and brand building efforts is 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 operation efficiency, strengthening brand awareness, and prudently expanding our network. We believe these initiatives will support sustainable growth and position us well to capitalize on significant opportunities in the Indian affordable healthcare market.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Aastha Jain from Pkeday. Please go ahead.

**Aastha Jain:** Hello. Thank you for the opportunity, sir. Sir, I want to understand that 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 the stores, you know, we build out the employees, we add employees two quarters before adding a new store. So, why this quarter the employee expense has increased so much?

**Himanshu Zota:** Even in this quarter, we added around 200 new stores. Therefore, the increase in employee expenses is largely aligned with the expansion in network. Additionally, in the previous quarter, we had recognized an exceptional item of approximately INR 599 lakh (around INR6 crore), which was related to provisions made in accordance with the new wage code. This was recorded separately as an exceptional item. Adjusting for that, the employee cost trend remains broadly in line with the growth in the number of stores.

**Aastha Jain:** But sir, typically when a new store is opened, don't you start incurring the employee expenses about two quarters in advance?

**Himanshu Zota:** No, not two quarters in advance. We do not hire employees for six months before opening a store. Typically, hiring takes place either in the same month as the store opening or about one month prior to the launch. We do not add these employees two quarters ahead. Recruitment is generally aligned closely with the store opening timeline, either in the same month or one month before commencement.

**Aastha Jain:** Understood. I also wanted to understand the increase in other expenses. These have risen as a percentage of revenue and currently stand at around 33%, compared to about 21% in Q1 FY26. Could you explain the reasons for this significant increase?

**Himanshu Zota:** The increase is primarily attributable to our marketing investments following the onboarding of Mahendra Singh Dhoni as our brand ambassador. During the entire previous financial year, our advertising and marketing expenditure was approximately INR 18 crore. In contrast, we have already spent around INR 15-17 crore on marketing initiatives in Q1 alone.

As a result, other expenses have increased during the quarter. Once we have engaged a brand ambassador of Dhoni's stature, it is important to actively leverage that association through brand-building and promotional activities. Otherwise, there would be limited value in making such an investment. Sujit ji may be able to elaborate further on this.

**Dr. Sujit Paul:** Yes, sure. So, what happens is that if you see last year's marketing cost, it was close to around INR 18 crores. Now, see, you have to understand a paradigm. And that is, the company is growing. And at the growth of the company, we cannot have so low marketing cost because it is also a new business for India at large. India is driven by branded pharmacies or branded medicines. So, if you have to change the perspective of branded to generic, you have to start building the awareness of the end consumers and patients. And there is where the current quarter and the subsequent quarters are ahead also, I am telling you in very advance that there you will see the delta moving only then the country will change. Otherwise, the country will take a long, long time to change. And that is where you see the delta. Aastha I am clear.

**Aastha Jain:** Understood. So, other expenses will keep on growing at this rate.

**Dr. Sujit Paul:** It has to know because you just see any industry that has shaped where it is a new entry. Let me give you an example. Many people were going to the bank for teller. After that, the ATM came after that UPI came. You see how much amount of ad Google is doing for Gpay in the television. You must have seen those advertising commercials, right? For the UPI, same for PhonePe or anything. Now, if that movement does not happen, the country don't change, no? Because it is a pattern, it is a buying habit. And especially in medicine, it is much more serious buying habit.

**Aastha Jain:** Got it. Sir, just one last question with respect to employee expenses, how should we see it going forward?

**Himanshu Zota:** Employee expenses are largely linked to the growth in our store network. As the number of stores increases, employee costs will also rise proportionately. At the current level, employee expenses are broadly in line with our store expansion, and we do not expect any significant or disproportionate increase in this cost line. Going forward, employee expenses should continue to grow in line with the addition of new stores.

**Aastha Jain:** Okay. Thank you.

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

**Niharika Agarwal:** Hello, sir. Thank you for the opportunity. So, can you quantify the gap between a mature Davaindia store and a new store in terms of monthly revenue, gross profit and EBITDA? And I would also like to understand how long does it take for a new store to reach mature economics?

**Himanshu Zota:** We have already provided a detailed vintage-wise breakdown in the presentation, including the performance of stores that are over two years old, over one year old, and those opened during the last year.

Typically, a store reaches its maturity level within 12 to 18 months of launch. At that stage, monthly revenue per store generally reaches around INR2.2 lakh to INR2.5 lakh. Thereafter, revenue continues to scale gradually over the next three to four years, reaching approximately INR6 lakh to INR7 lakh per month.

From a vintage perspective, we currently have 234 stores that were opened between 2021 and 2024. During Q1, these stores generated an average GMV of approximately INR4.13 lakh per store per month. At this revenue level, store-level EBITDA margins are typically in the range of 12% to 15%, indicating that these stores are already operating at a profitable level.

Furthermore, these stores continue to demonstrate strong momentum. For example, last year these stores delivered approximately 7.5% quarter-on-quarter growth, translating into annualized growth of roughly 30%. Therefore, we remain confident that same-store sales growth (SSG) will continue to be strong.

**Niharika Agarwal:** Sir, sort of a follow-up to that. What percentage of the network is currently EBITDA positive at the store level and what percentage is still below break-even?

**Himanshu Zota:** We have already disclosed this data in the presentation. For instance, the 234 stores opened between 2021 and 2024 are currently generating an average monthly revenue of approximately INR4.13 lakh per store. Further, the 617 stores opened during FY25 have already reached around INR2.28 lakh in monthly revenue per store as of the last quarter, which indicates that they are nearing maturity. The 803 stores opened during FY26 generated average monthly revenue of approximately INR1.60 lakh per store in the last quarter. These stores are still operating below the maturity level and are yet to fully ramp up. We expect this cohort to mature over the next two to three quarters. Therefore, when we combine these 803 stores with the roughly 200 stores added in Q1FY27, we have close to 1,000 stores that are still in the maturation phase. As these stores scale up and move towards mature revenue levels, they are expected to contribute meaningfully to growth going forward.

**Niharika Agarwal:** So, sir, you know, with these stores turning EBITDA positive and then, you know, the store additions also moderating, can we expect to turn EBITDA positive over the next two quarters through operating leverage or are we still expecting some significant costs that will keep the company loss-making?

**Himanshu Zota:** At the EBITDA level, we expect to remain positive over the next two to three quarters. In fact, as per the reported numbers, we were EBITDA positive even in the last quarter.

However, if we look at cash profitability, there is still some gap to be bridged. We expect the current cash losses to gradually reduce and be fully eliminated over the next three to four quarters. Based on our current trajectory, we expect to achieve cash breakeven by approximately Q1FY28.

**Niharika Agarwal:** Okay. Thank you, sir.

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

**Swaraj Mehta:** Okay. Thank you so much for the opportunity and congratulations on the great set of numbers. My question was, the INR 15 crore to INR 17 crore market expense, will it be annualized to INR 65 crores to INR 70 crores now?

**Dr. Sujit Paul:** It all depends as to what is the need. But ideally, that should be, but we are very careful in spending the money. If you really see that this expense is on a very, very lower side that we did last year. But yes, there are probabilities for growth, but I do not foresee it to grow to that level. Ideally, it should, but we are trying to be careful towards, you know, utilizing the money in opening the stores.

**Swaraj Mehta:** Okay, I got it. And so, what led to the increase in wallet share in COCO this quarter? So, did it happen passively or were steps taken to achieve it?

**Dr. Sujit Paul:** No, no, there are multiple steps taken at our ground level towards increasing the size of wallets as well as brand building exercises that is what, you know, Himanshu Bhai was explaining a while ago.

**Swaraj Mehta:** Can you give it qualitatively like what, examples of what steps have we taken to increase it?

**Dr. Sujit Paul:** Yes, of course, yes. For example, when I say at a ground level, so I primarily mean BTL, doing innumerable amount of, you know, camps around the store, sensitizing people, doing the road shows, the panchayat mela, the gram panchayat activities, the municipal corporation activities, the taluk activities towards, you know, drive and increase the footfalls and increase the ticket size. There are innumerable activities that went store by store depending on the state and the cluster where it is present.

**Swaraj Mehta:** Okay, got it. And so, gross margins have been volatile a little, not in a larger range, but a little, but despite Davaindia revenue increasing this quarter, it dropped by 1.5% this quarter. So, what was the reason for the same?

**Dr. Sujit Paul:** See, you would have seen the kind of impact of the war that happened and the cost of raw materials that have impacted due to war. Sorry, I think, Himanshu Bhai, it was your question. Sorry, I think

**Himanshu Zota:** The primary reason for the decline is the increase in input costs, which has been an industry-wide phenomenon. Due to the ongoing geopolitical situation and the impact of the war, the cost of key inputs has increased significantly across the sector. For example, packaging and bottle costs have risen considerably, leading to higher product input costs for us as well.

As a result, we have seen some temporary pressure on margins. However, we expect this to be short-lived. Over the next two to three quarters, we expect margins to gradually return to their historical levels. We also intend to take selective price increases and revise MRPs going forward to offset the higher input costs. Therefore, this impact is likely to persist for only one or two quarters, after which we expect profitability metrics to normalize and return to prior levels.

**Swaraj Mehta:** Okay, great. And so, we acquired this Globotask IT Consultancy. So, what was the objective for which we acquired this company?

**Dr. Sujit Paul:** Okay. So, primarily, as an organization, if you see that probably we are the only organization in India who is growing in this space and also trying to have a very strong gross margin, very strong numbers, very strong continuous growth movement. Now, what does that mean for us as an organization for the days, weeks, months, and years ahead? It means that we are becoming an enterprise by itself. Now, when any organization tries to become an enterprise, there are a lot of costs that actually get added in terms of information technology is concerned. So, there is where this organization, we will try to instrumentalize towards ensuring that we have a strong internal IT mechanism that would be a backbone for us, reduce dependencies of external IT companies. Thereby, there are two advantages that we will get, one - a very strong data security, the entire thing will flow internally across companies across subsidiaries internally. And number two is that eventually, there will be huge cost benefit internally.

**Swaraj Mehta:** Right. And so, I just wanted to get a clarity on the ambassadors, which ambassadors have we appointed for which brand? And how will we see them getting monetized going ahead?

**Dr. Sujit Paul:** First of all, we do not believe in monetizing ambassadors view our brand ambassadors as a means of direct monetization. I would like to clarify this point. Our strategy is focused on brand building and strengthening consumer trust rather than deriving immediate financial returns from ambassador endorsements. To be specific, both Mr. Suniel Shetty and Mr. Mahendra Singh Dhoni have been engaged primarily to represent and promote the Davaindia brand and its broader value proposition.

On the other hand, Mr. Akshay Kumar has been associated primarily with Zota Healthcare and its related subsidiaries, including UGO Generics. Therefore, each ambassador has a clearly defined role aligned with the specific brand and business segment they represent.

**Swaraj Mehta:** Okay. Got it. And just one last question. So, we invested INR 2 crores each in SKIA and UGO Generics this quarter. So, what investments have been made in this? And how has the response been? And how do we see them going forward?

**Dr. Sujit Paul:** SKIA is only at the initial stage currently, and its rollout is just beginning. Similarly, UGO is also in the early stages, with the pilot phase having commenced recently. Therefore, both initiatives are only starting to gain traction at this point. Beginning next quarter, you should gradually start seeing progress and measurable movement from these businesses as the initiatives scale up and execution gathers momentum.

**Swaraj Mehta:** Okay, thank you.

**Moderator:** Thank you. The next question is from Manan Shah from Moneybee Securities.

**Manan Shah:** Yes, hi sir. Manan here. Sir, is it fair to assume that our interest and depreciation that we are reporting is largely the rent expense for us?

**Himanshu Zota:** Yes. Currently, depreciation expense is around INR27 crore and finance costs are approximately INR6.35 crore, taking the total impact of depreciation and finance costs to roughly INR32-33 crore. Of this amount, around INR18.5 crore is related to rentals accounted for under Ind AS requirements. The remaining portion represents actual depreciation and the accounting impact arising from the application of Ind AS standards.

**Manan Shah:** Okay. So, only INR 18 crores was the rental expense for the quarter?

**Himanshu Zota:** Roughly INR. 18.5 - INR. 19 crores will be rental and rest will be actual depreciation and Ind-AS impact.

**Manan Shah:** Understood. If we remove the marketing and advertising cost incurred during the quarter, would it be fair to assume that we would be now cash breakeven?

**Himanshu Zota:** Not immediately, but we believe we can reach cash breakeven within the next two to three quarters, potentially by Q4 FY27 or Q1 FY28. At that stage, the business should be either cash breakeven or cash positive.

**Manan Shah:** Okay, what would be the cash burn for the quarter in that case?

**Himanshu Zota:** If we look at the current quarter, the business reported a PBT loss of approximately INR43-44 crore. However, if we adjust for depreciation and Ind AS-related accounting impacts, which amount to roughly INR14-15 crore, the underlying cash loss comes to around INR30 crore. Further, if we exclude the incremental marketing and advertising investments made during the quarter, which were approximately INR10 crore higher, the underlying cash loss would reduce to around INR20 crore.

We expect this quarterly cash loss of around INR20 crore to be eliminated over the next two to three quarters as store productivity improves and operating leverage kicks in. Based on our current trajectory, we expect the business to become fully cash positive by the end of Q4 FY27 or, at the latest, by Q1 FY28

**Manan Shah:** Understood. Sir, my next question was the SSG data that we show, that is primarily for the COCO stores, FOFO stores or both combined?

**Himanshu Zota:** No, no. It is primarily for COCO store only. That data is only for COCO store.

**Manan Shah:** Understood. Then, sir, we are not refreshing the number of stores under each time duration. So, this data is reported for these stores only, right? We are not refreshing it based on the newer stores getting added to each time frame?

**Himanshu Zota:** The reason we included stores only up to December 2025 in the analysis was to ensure a meaningful comparison. We wanted investors to have visibility into performance across comparable periods. Since the data is being compared for Q1, we needed at least two quarters of operational history, namely Q4 and Q1, for the same set of stores. Therefore, we limited the analysis to stores opened up to December 2025, which allowed us to present a like-for-like comparison.

Going forward, we will continue to extend this analysis by adding one more quarter in each reporting period. This will provide a consistent view of store performance and maturity trends over time.

**Manan Shah:** No, I understand that. My point is that for the stores in the 50+ months and 39-54 months buckets, the number of stores in each cohort has remained largely constant over the last two or three quarters

**Himanshu Zota:** No, the store cohort remains the same. What changes with each quarter is that these stores accumulate an additional three months of operating history. So, every quarter, the same set of stores becomes three months older, allowing us to track their maturation and performance progression more accurately.

**Manan Shah:** Understood. For the stores that are not covered in this analysis, such as those that are around one to one-and-a-half years old, how are they performing? What kind of revenue run rate are they achieving, and how is the scale-up or same-store sales growth (SSG) trend looking for those stores? Understood so for the stores which is not covered in this how are they performing like which may be say around one and half years old what's run rate and how is scaling happening over there and ssg happening over there.

**Himanshu Zota:** We have already addressed this through a new slide added to the presentation this quarter, which provides a vintage-wise analysis of store performance and SSG trends.

As you may have noticed, instead of focusing only on stores older than 54 months, we have grouped stores by opening period. For example, we have 234 stores opened between 2021 and 2024, 617 stores opened during FY25, and 803 stores opened during FY26.

We have disclosed quarter-on-quarter performance data for each of these cohorts. For the 803 stores opened during FY26, the average monthly sales per store in Q1 stood at approximately INR1.61 lakh.

Given that these stores are only around six to seven months old on average, this level of revenue generation is broadly in line with our historical store maturation trends.

**Manan Shah:** Understood.

**Moderator:** The next question is from the line of Mr. Chintan Sheth from Girik Capital. Please go ahead.

**Chintan Sheth:** Himanshu bhai, congrats on a good set of numbers. Operating EBITDA is pretty encouraging both on store level and wallet share increase, customer footfall increasing. Those are the lead indicators of how the model is getting accepted in the market. Right. So, a couple of things on, if you can refresh us in terms of, has any of the store's economic pointers have changed versus a couple of years back? Like in terms of rent, manpower, OPEX, or store-level inventory? Because you have increased so many SKUs over the course of the last two years. Does the investment required for stores or does the store's economics typically change versus what we started two years back? That is question number one. And some bookkeeping questions around, you mentioned this quarter's GMV conversion to revenue further dropped from last two quarters. Like last two quarters, it was tracking almost 93%, 94%. This quarter, it came down to 87%. Why is that? That is one. And second bookkeeping on the ad is spent again, just to dwell further on it. Does this investment continue over the course, this run rate will continue over the course of next three quarters? Or this is a little lumpy, which kind of accounted. We accounted for some bit of higher expenditure. This quarter will normalize going forward, if you can elaborate on that. And I will join back the queue.

**Himanshu Zota:** If we look at our store economics, during the initial stages of the FOFO model we experimented with different store sizes, rental structures, and operating models. However, over the last three years, the format has become standardized. For example, we opened 617 stores during FY25, 803 stores during FY26, and around 200 stores in the current quarter. Across these store cohorts, the average store size, rental cost, and manpower cost are broadly similar. Therefore, we do not expect any material changes in these cost parameters going forward. There may be minor variations of 2-3%, but nothing significant. The encouraging aspect is that newer stores are actually performing marginally better than older store cohorts. This is primarily due to stronger acceptance of generic medicines, increased brand awareness, and the impact of our ongoing marketing and brand-building initiatives.

As a result, the time taken for stores to reach maturity is gradually reducing. Earlier, stores typically achieved maturity in about 15-18 months. However, some of the newer stores are reaching mature operating levels within 12-15 months, reflecting stronger customer adoption and improved brand recognition.

**Chintan Sheth:** It is reflected in the 12-month data also, 12-month SSG performance also, that 15-month-olders are doing lower GMV versus our 12-month-old stores. That is getting reflected in the numbers as well. Yes, you can continue. Sorry, yes.

**Himanshu Zota:** Coming to your question about GMV versus revenue, this difference is largely attributable to the FOFO stores. As we had explained during the previous earnings call as well, for FOFO stores, GMV is recorded based on the invoices generated at the store level, whereas revenue reflects our sales to the franchisee stores.

Earlier, there were instances where franchisees had procured inventory from us, but the corresponding retail invoices may not have been generated in real time. As a result, those sales were reflected in our revenue but not immediately captured in GMV. Historically, this gap was relatively small. At present, the invoicing process at the store level is becoming more streamlined, and these transactions are gradually getting reflected in GMV as the invoices are generated. Consequently, the gap between GMV and revenue may increase over time.

It is important to note that this phenomenon is specific to the FOFO store model. For COCO stores, there is no difference between GMV and revenue, and the methodology remains unchanged. The underlying dynamics remain the same as before.

**Himanshu Zota:** If you look at the period before and after the GST change implemented last year, there was a difference of approximately 6.5%.

**Chintan Sheth:** Correct. Over the last two quarters, the conversion ratio was around 94%, which was broadly tracking the GST-related difference. However, this quarter it has declined to around 87% on a combined COCO and FOFO basis. So, the difference is largely attributable to the FOFO stores, is that correct?

**Himanshu Zota:** Yes.

**Chintan Sheth:** There is no issue with the COCO stores. The difference is primarily in the FOFO format because of the way franchisees invoice their sales.

**Himanshu Zota:** Yes.

**Chintan Sheth:** Okay. And on the economics part, has the margins improved? Or do you face some pressure on margins at store level? Or that the economics has performed way better than your expectation or below expectation? If you can touch base on that.

**Himanshu Zota:** Margins are expected to improve going forward. As you would have noticed, on a year-on-year basis, our consolidated gross margin expanded from 56% to 62%, which reflects a significant improvement in the business. Having said that, margins in the current quarter were slightly lower compared to the previous quarter. This was primarily due to temporary cost pressures arising from the ongoing geopolitical situation and the resulting increase in input costs.

We believe this is a short-term issue that may persist for one or two quarters. Thereafter, we expect margins to revert to their earlier trajectory. Over the next two to three quarters, margins should return to historical levels and continue improving further as sales scale up and operating leverage increases.

Therefore, we remain confident that profitability will strengthen over the coming quarters as the business continues to grow.

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

**Harsh Shah:** If I look at last three quarters, we have opened almost 650 stores. Now, going by the economics, that we incur INR 1.2 lakh, the OPEX is INR 1.2 lakh per store per month. Ideally, our expense for these 650 stores, incremental expense should have been around INR 23 crores, including rent. Whereas the actual expense increase has been almost INR 56 crores, INR 57 crores. So, this entire INR 33 crores over last three quarters, is this entire marketing expense?

**Himanshu Zota:** Yes. In the last quarter, we spent around INR15-17 crore on marketing. Also, other expenses include supply chain costs, which increase in line with sales. So, as sales grow, those expenses will also grow proportionately. Therefore, FCM expenses will remain aligned with sales.

**Harsh Shah:** Okay. Just a request. Since our marketing expenses are such a huge chunk, almost 10%, 12% of our revenue. So, I mean, a suggestion that if we could disclose it as a separate line item, henceforth, it will become easier for us to understand how the marketing expenses are trending.

**Himanshu Zota:** Definitely. We can think about it and from next quarter onward, we will definitely do that. No problem.

**Harsh Shah:** And sir, around 370 of our stores are almost more than 21 months old. So, roughly we can say that these are all two years or older stores. And based on the monthly vintage sales that you provide, these stores ideally should now be doing 30% to 35% store-level EBITDA margins. So, is that happening? Are the stores more than 21 months old? Is that cohort doing 30% plus margins for us?

**Himanshu Zota:** How can a 21-month-old store generate a 30% EBITDA margin? Typically, a store reaches store-level EBITDA margins of around 30% only after four to five years of operations. Generally, stores achieve breakeven within 12 to 18 months. Thereafter, profitability improves gradually every year.

In the second year, stores typically generate around 3-4% EBITDA margins. By the third year, EBITDA margins increase to around 12-15%. In the fourth year, margins reach approximately 20-22%, and by the fifth year, stores usually achieve around 30% store-level EBITDA margins.

**Harsh Shah:** Okay. Sir, out of the roughly 660 stores that are more than 15 months old, how many would currently be loss-making?

**Himanshu Zota:** We have already provided this data in a separate slide. As I mentioned, the 803 stores opened in the last financial year are currently generating around INR1.61 lakh per store per month and are still loss-making. The 617 stores opened in FY25 are generating approximately INR2.28 lakh per store per month and are broadly above the breakeven level.

Therefore, if you combine the 234 older stores and the 617 stores opened in FY25, roughly 850 stores are operating above the maturity level.

**Harsh Shah:** Yes, I understand that at a cohort level. The 617 plus 234 stores should be above breakeven. But within that group, some stores may still be loss-making. I was trying to understand that number. Out of these 851 stores, how many would still be making losses?

**Himanshu Zota:** Yes, that's possible. For example, among the 617 stores opened in FY25, there could be around 50 stores that are performing below the average monthly revenue of INR2.28 lakh, maybe at around INR1.80 lakh. At the same time, there may be around 100 stores that are generating INR3.5 lakh to INR4 lakh per month.

So, while the average is INR2.28 lakh, it is normal for around 10% of stores to be below average and around 10% of stores to be above average.

**Harsh Shah:** Okay.

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

**Yash Rathi:** Hello, sir. Sir, I have seen that in the last four quarters as well, we have seen similar sort of store additions. But this year, there is a margin deterioration which is attributable to marketing expenses. But the management community is becoming cautious of the expansion. Can you please correct me on this one? Can you please provide some light on the same?

**Himanshu Zota:** Are you referring to store additions or expense additions?

**Yash Rathi:** In terms of store addition.

**Himanshu Zota:** Yes. In terms of store additions, we added roughly 200 stores in Q1. For the current financial year, our target remains 600-650 store additions. Having already added 200 stores, we plan to add another 400-450 stores over the next three quarters. Q2 may be relatively slower, but we expect additions to pick up again in Q3 and Q4. Therefore, we remain very confident of achieving our target of around 650 store additions during the year.

**Yash Rathi:** Okay. And can you please let us know what is the Q1 FY'26 marketing expenses?

**Himanshu Zota:** It is roughly about INR 3 crores to INR 4 crores.

**Dr. Sujit Paul:** I would like to add one point in response to the questions being asked. Please understand that there has not been any major increase in marketing expenses. I would request everyone to review the financial statements carefully. You can clearly see from the numbers that the increase is primarily related to the onboarding of brand ambassadors and certain necessary brand-building initiatives. The underlying marketing spend has not increased materially. So, please go through the figures in detail and you'll get a better understanding of the expense movement.

**Yash Rathi:** Okay. Thank you so much.

**Moderator:** Thank you, sir. The next question is from Arman from Blue Sky Fintech. Please go ahead.

**Arman:** Yes, sir. First of all, congratulations on the strong growth in both GMV and revenue. I had a clarification. When we talk about achieving EBITDA positivity over the next two to three quarters, considering that store expansion has already moderated this year and we added only around 200 stores in Q1, EBITDA margin in FY26 was around 3.5%.

Given this, is it fair to assume that EBITDA at the overall level may remain negative for FY27, and that the meaningful improvement in profitability will become more visible in FY28? Is that the right way to think about it?

**Himanshu Zota:** If you are referring to PBT, that's different because under EBITDA, rent gets adjusted through depreciation under Ind AS. If I talk on a pre-Ind AS basis, as I mentioned earlier, we expect to become cash positive over the next two to three quarters. We are talking about cash positivity, not PBT positivity. And yes, next year the business should generate a meaningful level of cash profitability.

**Arman:** Okay, I understand the cash profitability aspect. My question was more around the reported EBITDA margin. Since FY26 EBITDA margin was around 3.5%, should we assume that EBITDA could remain around breakeven levels this year and then see a significant improvement in FY28 at the operating profit level?

**Himanshu Zota:** If you look at operating profitability as reported in the financial statements, we were EBITDA positive in the previous quarter. We turned EBITDA negative again in the current quarter, but we expect to return to EBITDA positivity from the next quarter itself. So, from next quarter onwards, we expect to be back to EBITDA-positive territory.

**Arman:** Understood. So, we should remain EBITDA positive from next quarter onwards. Does that mean we can achieve EBITDA margins better than the 3.4%-3.5% reported in FY26?

**Himanshu Zota:** Yes. We expect to perform better than that. Going forward, EBITDA margins should be higher than FY26 levels, and overall profitability should improve meaningfully.

**Arman:** Okay. Thanks a lot, sir.

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

**Dev:** Yes, hi. Thank you for taking my question. My first question is around your marketing expenses. You have alluded to the fact that you are going to be spending INR 50 crores to INR 60 crores this financial year on marketing. How are you measuring the ROI of these marketing spends is my first question.

**Dr. Sujit Paul:** So, from where did you get this figure of marketing expenses of INR 60 crores?

**Dev:** That was mentioned by you, right? That you are spending around INR 15 crores to INR 20 crores this quarter. So, if you annualize the figure, it is going to be closer to INR 50 crores, INR 60 crores.

**Dr. Sujit Paul:** Himanshu bhai, could you remind us how much was spent on marketing during the quarter?

**Himanshu Zota:** During this quarter, we spent around INR15-17 crore on marketing. For the entire previous financial year, our total marketing spend was approximately INR18 crore. So, almost INR15-16 crore was spent in this quarter alone

**Dev:** So, are we assuming INR 15 crores to continue for the next few quarters?

**Dr. Sujit Paul:** No. That is exactly. I will explain. First, let us have a dissection. Marketing expenses broadly have two components: ATL and BTL. BTL primarily refers to activities carried out at the store level, while ATL includes expenses related to brand ambassadors, their fees, production of commercials, and media campaigns. The other part is building the commercials for them and the other is kind of playing those. When you engage a brand ambassador, the associated fees are generally paid in multiple tranches over the duration of the contract and are not incurred uniformly every quarter. Similarly, the cost of producing advertising films is largely a one-time expense. Therefore, these expenses will not be evenly distributed across all quarters. That is why I wanted to provide some clarity on how the spending pattern works. It would not be appropriate to annualize the current quarter's marketing expenditure and assume a similar run rate for every quarter

**Dev:** So, what are the marketing spends that we are forecasting for this financial year?

**Dr. Sujit Paul:** So, it would depend on the basis of need. See, like for example, last year, it was mostly for Davaindia. In fact, there was one gentleman who asked about the three brand ambassadors when we kind of explained that for Mahendra Singh Dhoni ji and Sunil Shetty ji, it is for Davaindia. Now, you also have Mr. Akshay Kumar for Zota. So, it will be based on the need and we have been extremely careful about this over the last two years, people who have been associated with us, they have seen.

**Dev:** No sir, I agree. Sorry sir, I do agree but there is a certain budget that the board would be working with, right? In terms of your marketing expenses. As shareholders, we would only be fair to know because it is a large expense. What is it that we should expect for this financial year in terms of your marketing budget? We would just expect a range from you, right?

**Dr. Sujit Paul:** We foresee close to around INR 40 - 45 crores kind of numbers.

**Dev:** INR 40 crores to INR 45 crores, okay. I think that is the first question. Second, I think Himanshu bhai said that we plan to hit EBITDA break-even in next two to three quarters. So, are we referring to pre Ind-AS EBITDA break-even? Which is today negative 16%. Are we expecting this to inch towards break-even over the next few quarters?

**Himanshu Zota:** If we talk about pre-Ind AS profitability, then we expect to become EBITDA positive on a pre-Ind AS basis by around Q4 FY27 or potentially Q1 FY28. As far as reported EBITDA is concerned, the company was EBITDA positive in the previous quarter. We turned EBITDA negative again this quarter, but we expect to return to positive EBITDA from the next quarter onwards. So, at the reported EBITDA level, we expect to become positive again starting next quarter. However, on a pre-Ind AS basis, EBITDA positivity is likely to be achieved around Q3/Q4 FY27 or, at the latest, Q1 FY28.

**Moderator:** Mr. Dev please re-join the queue. Thank you. The next question, there is a follow-up question from Mr. Chintan Sheth from Girik Capital. Please go ahead.

**Chintan Sheth:** Thank you. I think last question; I think you clarified my question that for full year INR 40 crores to INR 45 crores will be there. This quarter it was lumpy, that was the point I was making earlier that INR 15 crores, INR 17 crores the spends we have expensed out this quarter is lumpy in nature and subsequently it will not carry forward in the coming quarters. Full year INR 40 crore, INR 45 crore is what we are penciling for the current year as ad spend versus INR 18 crore last year. That will be the right understanding. That is one. Second is on the store-level EBITDA margin, you mentioned, you have given this beautiful slide. I think that explains a lot in terms of how maturity is or how the stores are performing. If you can also provide at those levels, the stores, 234 stores, open between 2021-2024. On a blended basis, how are the store-level EBITDA margins moving? That would be an interesting thing to monitor going forward because we keep on investing in store expansion, but we would also like to see the mature stores, how they are performing in terms of profitability. If you can highlight on a blended basis, how those stores are performing at post-rental EBITDA at store-level. If you can provide that.

**Himanshu Zota:** Let me give you a simple example. A typical store generates around INR2.5 lakh of monthly revenue. At a conservative gross margin of around 60%, that translates into roughly INR1.5 lakh of gross profit at the store level.

The operating cost per store is generally around INR1.25-1.30 lakh. Over time, with rent escalation and employee cost inflation, this may rise to around INR1.40-1.50 lakh. Therefore, a store typically reaches breakeven at around INR2.5 lakh of monthly revenue.

Thereafter, store revenues generally increase by about INR1 lakh per month every year. For example, if a store is doing INR2.5 lakh per month at the end of Year 1, it could reach INR3.5 lakh in Year 2, INR4.5 lakh in Year 3, INR5.5 lakh in Year 4, and around INR6.5 lakh in Year 5.

If you look at the store cohorts as well, they typically witness an increase of about INR1 lakh per month in sales on a year-on-year basis. Since a significant portion of that incremental revenue flows through to profit, stores generally see an improvement of around 10-12 percentage points in EBITDA margins every year as they mature.

**Chintan Sheth:** Himanshu sir, just one minute. My question was simple. For the 234 stores that are currently generating around INR4 lakh per month, if I assume a 60% gross margin, that translates to roughly INR2.5 lakh of gross profit. After accounting for around INR1.5 lakh of store-level costs, the store would still be generating close to INR90,000 of EBITDA. Of course, we would need to convert GMV into revenue for a more accurate calculation, but broadly speaking, this cohort should be generating EBITDA margins in excess of 20%. That's the understanding I wanted to confirm. They should be earning more than 20% EBITDA margins from 234 stores.

That's all I wanted to understand. It's a simple math exercise. Thank you. All the best to the team, and I look forward to connecting again.

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

**Amit Mishra:** Hi, sir. Thank you for the opportunity. My question is based on the demand-supply gap of the industry. Currently, we have around 2,800 Davaindia stores in India. And we roughly have around 20,000 stores of Jan Aushadhi and they are targeting to reach around 25,000 stores. They are also operating in the same segment. We also have other players like Medplus and some other players who are rapidly expanding. What is the current penetration level in the industry? What kind of headroom do we have as we are expanding?

**Dr. Sujit Paul:** Okay. I will throw out some data. India has close to around 18 lakh, 19 lakh pharmacies roughly plus minus. If you see the organized retail players, minus Jan Aushadhi at this point of time is around 14, 000, 15,000, roughly. That is the gap between what you have in the country and organized retail. But you also mentioned about Jan Aushadhi. I will add on to that. I understand your prime question is what kind of room we have. There is a huge room because we have close to around say 2,500-plus stores, COCO and FOFO put together. 1855 COCO and balance FOFO. The room opportunity is very high and that is where Davaindia is growing, one of the fastest metrics because one is the country shifting from branded to generic. You have enough data points to see branded versus branded growth versus branded versus generic growth versus generic versus generic growth in the market. These data are all public. And keeping in view, there is a huge opportunity that we are getting through and we are taking the first mover's advantage towards capturing the market at the fastest. Towards the deepest penetration possible. That is where you must have seen the sheet where we have penetrated all across the country. Both into multiple different models that we are entering.

**Amit Mishra:** Okay. Sir, how many stores do we generally target per city before we see any kind of saturation?

**Dr. Sujit Paul:** If you see India at large, we go cluster-wise. There is where you have seen states like Uttar Pradesh, West Bengal, etcetera. Those are states and then we broke it down into city and town and then the cluster. It depends on that in some city; you may have a higher potential. In some city, you may have a lower potential at this point of time. So, one size fits all does not make the business sense for us and hence we go where there is a larger opportunity of a generic movement, so on and so forth.

**Amit Mishra:** Okay. Got it sir. Thank you.

**Moderator:** Thank you. The next question is from Randhir Kumar Singh from Randhir HUF. Please go ahead. Mr. Randhir, please go ahead.

**Randhir Kumar Singh:** Thanks for taking my question, sir. Sir, I joined late and I have missed a lot of things. So, I want to summarize whatever I understood and heard. Our EBITDA margin year-to-year in FY'27 will be higher than FY26 on a full-year basis. Am I right, sir?

**Himanshu Zota:** Yes. You are right. Absolutely right.

**Randhir Kumar Singh:** And sir, when we ramp up store expansion more aggressively from Q3 and Q4 onwards, our EBITDA margin should not fall below last year's level, right?

**Himanshu Zota:** Yes, definitely not. The reason is that our existing stores will continue to mature over time, and the number of mature stores in the network is steadily increasing. As the proportion of mature stores rises, they contribute to higher profitability.

Therefore, even if we accelerate expansion going forward, the impact on EBITDA margins will not be significant. The growing contribution from mature stores should largely offset the profitability impact of new store additions.

**Randhir Kumar Singh:** Okay. That is it sir. Thank you, sir.

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

**Dr. Sujit Paul:** Thank you so much for all who have been present in this call. Thank you, Managing Director, Whole-Time Director – Himanshu ji, and Moderator. It has been a pleasure to be part of this call and answer the questions that came through. We at Zota Healthcare, we take pride towards building that India which I think we all aspire for. Primarily in chronic disease management, like cardio, diabetes, gastro, peds, Ob-Gynae, we have been making a very, very strong foothold with the brand Davaindia towards ensuring that we penetrate India at large towards providing accessible, affordable healthcare medicines to one and all. In this journey, we have also now understood that India leads and needs much bigger penetration where we have explained how we are trying to initiate it with our other subsidiaries/brand. This exercise is driving huge amount of top line to us, bottom lines, profitability, and making a very strong, robust business sense, both in short-term, long-term, and building a very strong foundation for the company. This organization believes very strong in terms of values and culture of people, consumers, customers, investors, shareholders, and all related stakeholders. And we pride in the same. We as an organization we are trying to build a very, very robust business which not only looks it from a business angle, but it also contributes to building a better India by improving access to affordable healthcare through multiple business models and strategic initiatives that we are developing. I thank you all and sincerely thank you and I wish all of you stay very healthy. Thank you. Jai Hind.

**Moderator:** Thank you. On behalf of Zota Health Care Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

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*(Note: This transcript has been edited & translated, without altering the content, to ensure clarity and improve readability.)*