



“Zota Healthcare Limited
Q3 FY ‘26 Earnings Conference Call”
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MODERATOR: **MR. AJIT MISHRA – ERNST & YOUNG INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to Zota Healthcare Limited Q3 FY '26 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ajit Mishra. Thank you and over to you.

Ajit Mishra: Thank you, Good Afternoon to all the participants. I am Ajit Mishra from Ernst & Young Investor relations. Before we proceed to the call, let me remind you that the 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 result performance or achievement to differ significantly from what it expressed or implied by such forward-looking statements.

Please note that we have mailed the Press release, Presentation, Results & the same are available on the exchange & 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 the results and address your questions today, we have the top management of Zota Healthcare Limited represented by Mr. Himanshu Zota, Founder & Whole Time Director, Mr. Moxesh Zota, Managing director and Dr. Sujit Paul, Group Chief Executive officer.

We will start the call with an opening remark on brief overview of the performance for the quarter gone past followed by Question & Answer session. With that said, I will now hand over the call to Moxesh Zota. Over to you, Sir.

Moxesh Zota: Good afternoon, everyone!

Thank you for joining us today for Zota Healthcare Limited's Q3 FY26 Earnings Call.

I am Moxesh Zota, Managing Director of Zota Health Care Limited. We appreciate your time and continued interest in the Company as we walk you through our performance highlights and key developments for the quarter ended 31 December 2025. I trust you have had an opportunity to review our Q3 FY26 financial results and investor presentation.

Q3 FY26 was another quarter of strong execution for Zota Health Care, marked by continued momentum in the expansion of our Davaindia retail pharmacy network. During the quarter, the Company continued to accelerate the expansion of its Davaindia retail pharmacy network, adding 276 new stores, including 231 COCO and 45 FOFO stores. This took the total Davaindia footprint to 2,331 stores as of 31 December 2025, reinforcing our national presence. This expansion reinforces our presence across India and reflects the scalability of our COCO & FOFO operating model.

A key milestone during the quarter was the successful completion of a INR 350 crore Qualified Institutional Placement (QIP), with participation from a diverse set of institutional

investors, including foreign portfolio investors, alternative investment funds, and mutual funds. The capital raised significantly strengthens our balance sheet and provides long-term financial flexibility. The proceeds from the QIP will be primarily utilized to accelerate the rollout of Company-Owned Company-Operated Davaindia stores, support working capital requirements, and meet general corporate purposes.

In line with our strategy to build a fully integrated and scalable retail-pharma ecosystem, the Board approved the incorporation of a new wholly owned subsidiary, KMHP Ventures Limited, with an initial paid-up capital of INR 10 lakh. This entity will be engaged in the marketing and trading of pharmaceutical products, enabling greater control over sourcing, distribution, and margin optimization as the network scales.

Further strengthening our internal ecosystem, the Company increased its investment in Davaindia Health Mart Limited (DIHML), its wholly owned subsidiary, through additional equity subscriptions during and subsequent to the quarter. These investments are aimed at supporting the expansion of COCO stores and meeting working capital requirements, ensuring seamless execution at the subsidiary level as store additions accelerate.

Additionally, as part of our broader strategy to expand our footprint in the retail generic and specialty pharmacy segment, the Company acquired 100% equity stake in Curexis, a retail pharmacy platform operating under the brand "SKIA." SKIA offers a comprehensive portfolio spanning pharmaceuticals, nutraceuticals, cosmetics, ayurvedic, and OTC products.

Collectively, these strategic initiatives reinforce our confidence in achieving our medium to long term objective of crossing 5,000 Davaindia stores across India by March 2029, supported by fresh capital from the QIP and steadily improving cash flows from our maturing store network.

Looking ahead, our priorities remain clear: to continue scaling the Davaindia network with a sharper focus on unit economics, to drive operating efficiencies and sustained profitability, and to deepen access to affordable, high-quality generic medicines across the country.

With that, I would now like to hand over the call to Himanshu Zota to take you all through the financial & operational performance for the quarter.

Himanshu Zota:

Thank you! Moxesh. Good afternoon, everyone. I will now take you through the financial and operational highlights for the quarter ended 31st December 2025.

Starting with the financial highlights, consolidated revenue from operations stood at INR 14,295.14 lakhs in Q3FY26, registering a strong year-on-year growth of 98.2%, compared to INR7,212.38 lakhs in Q3FY25. This growth was primarily driven by continued store additions and improved scale across the Davaindia network. Consolidated Gross Profit increased to INR8,617.82 lakhs, up 113.9% YoY from INR4,029.15 lakhs in the corresponding period last year, supported by operating leverage from higher volumes and scale benefits.

Sequentially, operating profit and EBITDA moderated during the quarter. This was primarily on account of higher operating expenses linked to network expansion, as the Company had

over approx. 400 stores under development or in a non-live stage, where manpower, rentals, and other pre-opening costs had already commenced. As a result, the Company reported a consolidated EBITDA stood at INR127.58 lakhs for the quarter.

In terms of revenue contribution, Davaindia continued to be the core growth driver, accounting for 80% of Q3FY26 revenue, followed by domestic sales at 11%, export sales at 6%, and Everyday Herbal Group at 2%.

Moving to operational performance, network expansion remained robust. During Q3FY26, we added 276 Davaindia stores, taking the total network to 2,331 stores as of 31 December 2025, comprising 1,438 COCO and 893 FOFO stores. So, in nine months current financial year, we had 586 COCO stores. Our geographical presence now spans 23 states and 5 union territories, reinforcing the national footprint of the Davaindia across both COCO and FOFO models.

Quarterly customer footfall increased to 49 lakhs in Q3FY26, up from 27 lakh in Q3FY25. Quarterly GMV rose to INR12,172 lakhs, nearly doubling year on year, reflecting improved store productivity and network scale. Additionally, Q3FY26 GMV had GST impact of 5.15%. Average wallet spends remained stable, underlining steady consumer behaviour and value positioning.

Overall, while near-term margins have been impacted by expansion-led investments, we believe these costs are transitory and position the Company well for improved operating leverage, margin normalization, and profitable growth as newly added stores mature.

We will now open the floor for questions. Our team will be happy to address any queries you may have.

Thank You!

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Hi Himanshu bhai, thank you for the opportunity. The question I had was related to employed cost during the quarter. You mentioned something about pre-operative expenses for the 400 stores which are in pipeline. If you can spill it out how much is pre-operative cost increased? I'm trying to understand if you can spill out quantify the pre-operative cost during the quarter. That is one.

And second is on the revenue to GMV for the current quarter for the total Davaindia is 95% but if you recollect when we discussed in the past the FOFO store revenue to GMV typically ranges between 50%-55%. Then I'm trying to understand why the revenue to GMV for the current quarter even in the previous quarters were high relative to the revenue? That these are the two questions. And I'll join back in queue.

Himanshu Zota: Yes, sure. Thank you. First, with respect to pre-operative expenses, the increase is primarily driven by employee costs. During this quarter, we opened approximately 231 new stores, from

which the revenue contribution is currently negligible. In addition, as of 31st December, around 400 stores were already under process.

As a result, consolidated employee costs increased from about INR38 crore in Q2 to approximately INR52 crore in Q3. Essentially, employee costs related to nearly 400 to 600–700 stores both live and under process have been added during this period. This forms the major portion of the increase. However, as these stores become operational, this cost structure will normalize, and we expect this impact to largely settle over the next one to two quarters. That addresses the first question.

Coming to the GMV versus revenue difference, there are two key components. First, we operate a franchise model where we charge a franchise fee. This franchise fee is recognized as revenue but does not form part of GMV. Therefore, for every new franchise created, the franchise fee adds directly to Davaindia's revenue.

Second, we supply goods to franchisees, and those supplies are also recognized as revenue for us. However, it is not necessary that goods supplied on day one. For example, inventory worth INR4 lakh will translate into equivalent GMV immediately. The franchisee's sell-through may take place over the following months or quarters, and GMV may lag revenue recognition.

This effect is particularly visible in the FOFO model. Typically, there should be a ~40% difference between revenue and GMV, but over the last two quarters, this gap has narrowed. This is because franchisees have been purchasing higher inventory from us, while their reported GMV has not increased proportionately.

Additionally, since GMV reporting is dependent on franchisee invoicing, there may be instances where sales are occurring at the store level but are not fully captured in GMV reporting. Given the limited control over franchisee invoicing, this is also a possible reason for the observed variance.

Chintan Sheth: Sure, Himanshu bhai I'll join back in queue. Thank you.

Moderator: Thank you. The next question comes from the line of Harsh Shah from Seven Rivers Holding. Please go ahead.

Harsh Shah: Hello good afternoon, sir. Sir if I look at the average revenue for the cohort which are more than two years old. So, it has sort of flattened out. Two years has come to around INR3.9 lakhs last quarter as well, it was almost INR3.9 lakhs per store. But if I look at stores which are more than three years old. It has come down from INR7 lakhs to INR6.85 lakhs?

And even 12 to 24 months have come down from INR2.39 lakhs to around INR2.33 lakhs. So somewhere is it happening that the unit economics that we were envisaging is not happening as the stores are maturing?

Himanshu Zota: No, the growth has actually come through here, but the GST impact needs to be understood correctly. If you look at the first cohort, for example, the average monthly revenue was INR7.02 lakh in Q2, which has increased to around INR7.2 lakh on a like-to-like basis.

However, because GST was reduced from 12% to 5%, there is a direct impact on GMV since MRPs came down accordingly. Currently, there is a GST impact of roughly 5.15%, and this automatically reflects as a lower reported GMV even though underlying volumes and performance have improved.

Even in the oldest cohort stores that are around four years old we are seeing quarter-on-quarter growth of about 4%, which translates to an annual growth rate of 15% to 20%. This is consistent with the trajectory we have shown across cohorts.

The reason the growth appears muted this quarter is purely because of the GST reduction. To address this, in the presentation where we have shown the bar chart, the figures such as 7.2 and 4.86 mentioned alongside represent the GMV adjusted to the old GST structure. This gives a like-to-like comparison and clearly shows that the underlying growth trend remains intact.

Harsh Shah: Okay, understood. And sir another thing is I was just tracking footfall per day per store, which for the last seven quarters has been coming somewhere around 28-30 on an average. So, what is happening there? I mean why is our footfall per store not going up?

Himanshu Zota: No, footfall has actually increased. You have to understand that when a new store opens, from day one it typically sees a footfall of only about 15 to 20 customers. Over the last three quarters, we have opened nearly 600 stores, which means that out of our total 1,400 stores, a very large portion has been added in a short span of time.

If we segment the stores by age those that are two to three years old versus recently opened stores the natural expectation would be that overall average footfall should decline because of the heavy addition of new stores with low initial footfall. However, despite this aggressive expansion, the overall footfall has remained stable.

This clearly indicates that footfall at older, more mature stores has actually increased, which is offsetting the lower footfall from newly opened stores. That is the basic idea.

Harsh Shah: So, sir, roughly how much would the footfall be for stores which are more than two years old, what would be our average footfall there?

Himanshu Zota: Typically, the stores in our first cohort, which are generating revenues of around INR7 lakh or more per month, see an average daily footfall of about 80 to 100 customers. As we move to subsequent cohorts, the footfall gradually moderates. For example, in the second cohort, daily footfall may be in the range of 60 to 80 customers. Beyond that, footfall tends to stabilize around those levels.

Harsh Shah: Okay. And sir, in this quarter were there any store closures?

Himanshu Zota: No, in this quarter we have not closed a single COCO store. There have been zero store closures during the quarter.

Harsh Shah: Okay. And sir I was looking at the employee cost average, for this quarter our average store count was somewhere around 1,325. And based on INR60,000, I think our per store employee

cost is around INR60,000 per month. So, if I calculate based on that, I get INR24 crores as employee cost for the COCO business but our overall employee cost if I look at it is INR53 crores. So, INR30 crores cost for other business I mean why is that employee cost so high?

Himanshu Zota: Firstly, the employee cost per store is approximately INR65,000 to INR70,000, not INR60,000. Secondly, we also have a significant number of non-live stores over 400 at present and these stores also incur employee costs.

When we combine both live and non-live stores, the average employee cost for Q3 works out to INR80,000 to INR85,000 per store. Additionally, other expenses, including corporate costs such as corporate salaries, are also part of the overall INR52 crore expense figure.

So overall, the increase is primarily driven by higher salary costs related to non-live stores and the aggressive expansion undertaken during the last quarter. Going forward, we expect this to normalize and stabilize over the next one to two quarters.

Moderator: The next question comes from the line of Swaraj Mehta from Perpetual Capital Advisors. Please go ahead.

Swaraj Mehta: Hello. Congratulations on a good set of numbers. I wanted to understand what are a steady state EBITDA margins at a company level. So, store level EBITDA margins you said would be around 25% to 30% but what would it be at a company level going down the line? And recently COCO stores the gross margins for around 60%. You said it will be around 60% but this quarter I think it is around 67%. So how much more expansion in gross margin is possible or 67 is also a steady state gross margin? Thank you.

Himanshu Zota: In terms of margins, over the last two quarters, including the most recent quarter, we have already reported gross margins of around 66%. In the current quarter, margins have further improved by another 1% to 1.5%. While we typically guide to an average gross margin of around 60%, the actual margins are already in the range of 66%–67%.

Going forward, we believe there is scope for continued improvement, with gross margins potentially increasing by about 0.5% to 1% every quarter. Over the next four to six quarters, margins could move closer to 70%. So, there is clear headroom for further margin expansion.

At the store level, once a store reaches maturity, EBITDA margins can be in the range of 25% to 30%. At the company level, if all stores were to reach maturity, EBITDA margins could be around 17% to 20%, subject to the entire network being mature.

Swaraj Mehta: Okay. And also, wallet spend it has been in a fixed range so how do we see it going forward? So, will it be in this range or it will go up?

Himanshu Zota: No, it is actually improving. We are opening a large number of new stores, and typically, when a new store is launched, wallet spend remains below INR200 during the initial phase, especially in the first two quarters. As the store stabilizes over time, the wallet spend starts increasing. So, the fact that we are seeing stability indicates that wallet spend is improving despite the addition of new stores.

Swaraj Mehta: Okay. Got it. And sir now we've acquired a brand name called SKIA so what are our plans with this?

Dr. Sujit Paul: So primarily what we intend is that if you really see the prognosis journey of Davaindia we are trying to command the country in totality towards affordable healthcare in generic medicines. So SKIA have been a new entrant for us where we would be kind of ensuring that to block any forecasted competition that can come to the country. And with that perspective we have acquired the same. And this would also help us at a group level to spread the generic medicine retail concept and also to further engulf the market in totality and kind of build a very strong brand equity for us at a group level.

Swaraj Mehta: What will be our offerings under SKIA? So, will it be similar to Davaindia or how?

Dr. Sujit Paul: It would be it would be similar but there would be certain differentiators from the consumer perspective. But yes, it would be similar to Davaindia in terms of generic medicines, health and wellness products as well. But in terms of differentiation from the consumer experience perspective and certain other perspectives there would be a difference when they enter SKIA.

Moderator: The next question comes from the line of Manan Shah from Moneybee Investment Advisor. Please go ahead.

Manan Shah: Yes, hi sir thank you for the opportunity and congratulations for good set of numbers. Sir my question was on our marketing strategy, so it has been almost 8 to 10 months since we've appointed our two brand ambassadors. So, what is the strategy from here going forward or what strategy are we planning for the upcoming year? What sort of budget are we planning? Are we planning any TVC campaign or anything if you can just highlight on these points.

Dr. Sujit Paul: Right. Yes, we have two brand ambassadors for us definitely. Mr. Shetty one of the very strong links in Bollywood and being a renowned fitness and Mr. Dhoni. So, we have started an extensive BTL campaign around both of them which is more of a neighbourhood campaign that have already been initiated across the country.

In terms of your other questions for TVC we have already gone ahead and done the TVC shoot with Sunil Shetty that's already been initiated which you would see already been surfaced across the leading cinema halls across the country. Along with a large number of taxis in Maharashtra primarily and certain other parts of the country. We have also gone ahead and done a TVC shoot with Mahendra Singh Dhoni this week which would be kind of ready in the next two weeks' time.

In terms of television broadcast, we have already initiated certain television broadcasts surfacing our brand ambassadors. The recent New Zealand match was well visible and many others in similarity. However, going forward the TVCs would also get surfaced in the televisions as the months ahead.

Manan Shah: And in terms of budget what sort of budget are you planning for the upcoming year?

- Dr. Sujit Paul:** We are very careful about our spending budgets and the reason for the carefulness of the spending budgets is that the money would have to be well utilized towards spreading our COCO stores as you know what has been mentioned. However as judiciously required the budgets would be spent in direct relations to the growth of the organization.
- Manan Shah:** And are you seeing any positive traction in terms of say higher footfalls or new customers or new customer acquisition at your store level as a result of the campaign that we've already done?
- Dr. Sujit Paul:** See brand ambassadors if you understand are only brand ambassadors. The positive traction is a combination of multiple things. However, if you see the data points in terms of average wallet spend and footfalls, you have seen for both there is an increase. So, the data have been surfaced from right from the sheets that you have seen and the quarterly footfalls. So, there have been quite a movement but that is not the only outcome for the brand ambassador that is only one of the derivatives of it.
- Manan Shah:** Sure, thanks I'll get back in the queue.
- Moderator:** Thank you. The next question comes from the line of Umesh Ladda from Nirmal Bang. Please go ahead.
- Umesh Ladda:** Yes, thank you for the opportunity and congratulations for the good set of numbers. So, sir my first question is on the store expansion front. So, is there some reduction or reduction in the guidance for FY '27 as we were planning to open almost 1,000 stores?
- Himanshu Zota:** At this stage, it is largely in line with our earlier plans. When we initially planned the INR400 crore QIP, we were targeting around 1,000 stores. Now, we have marginally reduced the QIP size from INR400 crore to INR350 crore, and proportionately, there could be a slight moderation in the store count. This is still under evaluation, but there will not be any material or significant change from the original plan.
- Umesh Ladda:** Okay sir understood. And also, sir second question was that are we comfortable in giving some revenue or maybe EBITDA guidance for FY '27 or maybe say FY '28?
- Himanshu Zota:** We are not providing revenue guidance at this stage because we are currently entering a phase of high aggression in terms of expansion. In such an aggressive growth phase, giving precise revenue guidance becomes challenging. However, we have already shared detailed data on the performance trajectory of our stores across all quarters. Based on this data, one can reasonably assess and estimate the potential revenue trajectory going forward.
- Umesh Ladda:** Got it sir. And sir last question is what are the steps which we are taking to you know increase the wallet spend of the say customer -- I mean patients in the COCO stores. Because the wallet spend has been pretty much stable. So, anything any color if you could give on those lines.
- Dr. Sujit Paul:** See if you really see the wallet spend and okay what does the wallet spend derivative output. If we are not expanding, then there is one mathematical formula that you have to put. If we are expanding, then the mathematical formula is different. For example, if we have opened the

number of stores that we spoke about and in spite of that the wallet spend is 231, it means if you put the formula then what it means is that we have actually grown because there are bunch of new stores that you have right. Where the actual wallet spend is low.

Am I making sense for you? So, if that be true and in spite of that your wallet spend is at 231 so now you put the formula and see basically you are at an accelerator mode.

Umesh Ladda: Okay got it. That's it from my side. Thank you so much.

Moderator: Thank you. The next question comes from the line of Arman from Blue Sky Fintech. Please go ahead.

Arman: Yes, congratulations sir first of all for a very good set of numbers. I just one clarification and one follow up. Clarification is that like COCO stores mature ones will give us 25% to 30% margins right. And what will be the mature FOFO stores margin?

Himanshu Zota: So, in FOFO stores our gross margin will be the EBITDA margin. Because we don't have any investment in FOFO stores. All the investment are incurred by Franchisee owner; we provide them a fixed number of margin and sell the goods to them. So, in FOFO gross margin will be somewhere about 40% to 45%.

Arman: No sir, because I am asking this because as we just said that when all mature stores total up, they will give us margin around 17% to 20%, EBITDA margin. And we have already mentioned about COCO stores in the investor presentation that if they are all matured COCO stores, they give us a margin of 25% to 30%. But if we are saying the blended margin after all mature will become 17% to 20%, then definitely FOFO's margin, EBITDA margin is considerably lower right?

Himanshu Zota: Yes

Arman: So, this ratio of ours according to which we are expanding COCO. So according to the current stores, will it be very safe to say that around FY '28 our margin can go around 16%?

Himanshu Zota: Are you talking about FOFO store or COCO store?

Arman: No, I am talking about overall blended because right now our major expansion is anyway in COCO.

Himanshu Zota: Yes.

Arman: So, for FY '28 is this safe because our percentage of mature stores will keep increasing regularly for COCO. Because now if we talk about FY28, can our blended margin comfortably reach around 17%-18% in FY28?

Himanshu Zota: This depends on how many new stores we are opening. If we stop opening new stores from today. Then this can definitely happen.

Arman: Okay. Yes, because I am accounting for that too sir, like as we move forward our mature stores will continuously keep increasing comparatively right and FOFO stores will also keep maturing.

Himanshu Zota: Yes, we will continue to open new stores, and because of that, the maturity profile of the network will also have an impact, which temporarily drags margins. That's why, if we hypothetically assume that we stop opening new stores and only operate the existing store base, then we can comfortably achieve EBITDA margins of around 15% to 17% by FY'28 or FY'29. In such a scenario, this level of margin is clearly achievable.

Arman: Okay. And sir I just want to ask about mature stores because as you already clarified about GST, according to you up to what level can mature stores reach. The 7.2 lakhs we have reached here already for the 29 stores which are 39 to 54 months old. So according to you roughly how much can they do?

Himanshu Zota: It's difficult to say definitively at this stage. Even today, if we take the first cohort as an example, it is generating around INR7 lakh per month, which translates to approximately INR82 lakh per annum, and it is still growing at about 15%–20% year-on-year. Given this, if the business continues to grow at a similar rate over the next two years, say 12%–15%, revenues could potentially cross INR1 crore per store per annum. However, at this point, it would be premature to state this with certainty.

Arman: So even now according to you there is potential to grow comfortably here.

Himanshu Zota: Yes, even now because growth is still coming in double digits. So, we can't call this mature yet, scope of growth is still very high here, meaning growth is between 15% to 20%.

Moderator: The next question comes from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: Thank you for the opportunity and congratulations on your rapid expansion. My main question was again on employee cost. I know that your employee cost as you are expanding you add employees even before the revenue comes in. But I have looked at your historical numbers and generally if I see then your overhead employee cost comes to around INR10 crores, if we take an approximate number of the number of stores that you are operating in COCO. This time if I do the maths according to the number of stores you added, the number is not adding up, the employee cost is overshoot a lot. So, unless we are adding a lot of new stores in this next quarter and we hired employees early for that too, that number isn't fitting.

Himanshu Zota: As of 31st December, we had over 400 stores in process. During the last quarter itself, we opened 231 stores. So effectively, during the quarter, employee costs were being incurred for roughly 650 stores this includes the 231 stores that were opened during the quarter and the 400-plus stores that were still under process.

Since these 400-plus stores were already in the pipeline as of 31st December and the 231 stores were commissioned during the quarter, the employee cost reflected in the last quarter naturally includes costs related to all these stores.

- Parikshit Kabra:** Correct, so these 400 are going to open in this quarter?
- Himanshu Zota:** Meaning normally they will open in 90 to 120 days so 70% of these 400 stores will open in this quarter itself.
- Parikshit Kabra:** Correct but we had already hired employees for all 400 beforehand, is that what you are saying?
- Dr. Sujit Paul:** Yes. See I will tell you; you have to understand certain dynamics for all. So, you take employees you train those pharmacists then you will need the license to apply. So, there is a whole process around it right. So, towards running through the entire chain of process you have to take the employees well in advance and then you have to park those employees get into a full-fledged of training to ensure that there is no dispensing error etc.
- And subsequently their existing license has to be free from the existing place, you have to get the license, you have to send it to the drugs department, get it endorsed. So, there is a whole process to run the entire chain.
- Parikshit Kabra:** No, you're absolutely right sir and I've been tracking your company for a while now, so I appreciate that. It just seems that this time round the jump is higher than your normally is. So, unless the speed at which you're opening stores has increased materially, it does not justify that. So, unless we're going to see a massive spike in the next quarter is what I'm asking basically.
- Dr. Sujit Paul:** Exactly what I was telling you. So, in the current quarter, which is Jan Feb March, so there would be substantial numbers of store opening that you would see subsequently.
- Parikshit Kabra:** Got it sir that's all. Thank you.
- Moderator:** Thank you. The next question comes from the line of Zohaib from Swinglist. Please go ahead.
- Zohaib:** Yes, so I had one question about the resolution passed in AGM which said that there is a commission of the Whole Time Director totalling up to 1.1% if of the annual consolidated turnover. So is it, I just wanted it's in 0.2, 0.2 and 0.2 and 0.3. So, I just wanted to know, is it a part of minimum remuneration or there is a condition for that? I just wanted to know that.
- Himanshu Zota:** No, it is a part of minimum remuneration.
- Zohaib:** Okay so around 1.1% of the consolidated turnover would be given as minimum remuneration. I mean that is a huge number if we see. And apart from that it came along with the remuneration increase of about 42%- 43% hike. And the fact that we are on a consolidated basis we are making a loss. So, I mean the ideal case would be linking the incentive with the net profit so that the management works towards the profitability of the company. Isn't it?
- Himanshu Zota:** This remuneration is only a minimum, considering the promoters are founders with over 30 years of experience in the business. It is not significant, and at the current gross margins of 60–66% in Davaindia, a 1% cost is not material.

- Zohaib:** And sir this would be continued till 2030? Am I right?
- Himanshu Zota:** Yes.
- Zohaib:** Okay. And sir what is the update on the warehouse we are planning to open in Delhi?
- Himanshu Zota:** Yes, warehouse is already open. Yes.
- Zohaib:** Okay that's it from my side. Thank you.
- Moderator:** Thank you. The next question comes from the line of Nishita from Sapphire Capital. Please go ahead.
- Nishita:** So, I am looking at this company for the first time so I'm sorry if my question would be very basic. So, I just wanted to understand that you mentioned at once the COCO stores are mature, we can have an EBITDA margin of 17% to 20%. And from FOFO stores we have the EBITDA margin which translates from gross margin of 45%. So, on a consolidated company level why is our margin in 3% to 5% range? Because like from Davaindia our revenue contribution is 80%.
- Himanshu Zota:** If you look at the gross margin on a year-on-year basis, it was already around 55% at the company level and has now increased to nearly 60%, reflecting a 5% YoY improvement. This improvement is driven by the increasing contribution of Davaindia revenues, which continues to support margin expansion.
- The impact on EBITDA margins is mainly due to the opening of new COCO stores. However, this is a temporary effect, and over the next two to three years, these stores will mature and contribute positively. Going forward, we expect gross margins to continue improving year-on-year, and even on a quarter-on-quarter basis, gross margins should show a consistent upward trend.
- Nishita:** So, in two, three years can we see the EBITDA margin in the range of 15% to 17% on an overall consolidated level?
- Himanshu Zota:** As I've mentioned earlier, if we look at the business on a same-store basis and assume we do not open any new stores, then EBITDA margins at the company level can definitely improve. In such a scenario, EBITDA margins can reach around 18% to 20% over the next two to three years, or even higher. This is clearly achievable, subject to the condition that no new stores are added during that period.
- Nishita:** Okay understood. Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Bhaskar Kangal from Three Head Capital. Please go ahead.
- Bhaskar Kangal:** Sir my question was about QIP utilization, the break even, if you could tell that it would be good, meaning the INR350 we raised, where we are we are planning to spend that? And one question is Sir EBITDA margin is down this time due to employee cost. From next quarter can

we assume EBITDA margin to be positive and is improvement possible from here? I have two questions.

Himanshu Zota: Yes, the INR350 crore raised through the QIP is largely being deployed towards Davaindia. Most of the funds are being used for working capital requirements and new store openings under Davaindia. A smaller portion has been allocated to General Corporate Purpose, while the majority of the proceeds are directed towards Davaindia's expansion and development. That is the first point.

Secondly, as you mentioned, employee costs increased sharply during this quarter primarily due to a higher number of non-live stores and the addition of new stores from December onwards, as we were already aligned with this year's expansion targets.

However, over the last two months, we have consciously reduced the pace of putting new stores into the pipeline. As a result, we expect employee costs to start normalizing over the next one to two quarters. This spike was largely a one-quarter impact. From the next quarter, costs should begin to moderate, and over the following one to two quarters, they should completely normalize.

Bhaskar Kangal: Okay sir thanks you. Sir my second question is, at store level. Second question on this inventory side, at your local store level when we go, I see that shortage is visible in inventory. Is there any issue there at store level?

Himanshu Zota: Okay. So, did you go to a COCO store or franchisee because we don't have control in franchisee store?

Bhaskar Kangal: Sir I went to a COCO store; I am speaking from West Bengal. Okay. Speak.

Dr. Sujit Paul: Assume your question is that sometimes some medicines are not available, basically that's what you are saying right? Yes sir.

Bhaskar Kangal: Yes, that is correct.

Dr. Sujit Paul: See what happens is that wherever you go, in any store you go you will at times you know find that okay maybe you may have sometimes this medicine not available and there it will come back after some time. It is a continuous process of efficiency development. It is a continuous process.

Bhaskar Kangal: But sir in many stores the pharmacist was saying that there is shipment issue like.

Dr. Sujit Paul: No, you need to listen to me. Please listen to me. Please listen to me. It is a continuous process of efficiency development. Yes, you are right sometimes there may be one or two medicines which may not be available in the store. And this is a continuous process to ensure that you know the inventories are continuously improved. As simple as that.

Moderator: The next question comes from the line of Neil Joshi an individual investor. Please go ahead.

Neil Joshi: Good afternoon. I have two related questions. First, regarding the QIP proceeds were these funds primarily used to acquire Davaindia shares, or were they deployed towards new store expansion and working capital within Davaindia?

Second, given that repeated QIPs lead to promoter dilution and promoter holding has already reduced from around 51%, how much headroom do we have to continue raising funds through QIPs? Going forward, how do you balance equity dilution versus funding growth through operational cash flows and internal accruals?

Himanshu Zota: The QIP we undertook was planned with a two-year horizon in mind. The funds raised are sufficient to meet our requirements for the next two financial years, starting April 1, 2026, that is, FY'26–27 and FY'27–28. For this period, we do not anticipate the need for any additional external funding.

Beyond these two years, a large number of our stores are expected to reach maturity, which should result in strong internal cash generation. Given this, it is possible that our future funding requirements may reduce significantly, or may not arise at all, as growth can increasingly be supported through internal accruals.

Neil Joshi: Okay and sir my second question was, are we planning to launch any Davaindia IPO or when it can be possible in future to launch that?

Himanshu Zota: It is too early to say right now we don't have any such internal planning or any thought process.

Neil Joshi: Got it. Thank you so much sir. Thank you.

Moderator: Thank you. The next question comes from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: Thank you for the opportunity for the follow up. The question I had was one clarification the EBITDA margin which you are talking about, is post rental EBITDA margin or Ind AS EBITDA margin? That's one. And second on the employee cost again harping on it. So, sir, we have been opening stores 100, 150, 200 stores for last many quarters now right. That's the aggression we have been aggressive expansion we have been into?

But the 400 stores what you are planning for the next couple of quarters that has been the case for previous quarters as well, when we were opening 200 plus stores every quarter. So, the question is, why the sudden spike in this particular quarter and even if you say that it will normalize say, one or two quarters down the line. But the plan for the future store expansion to reach 5,000 stores, we will keep you know the pipeline heavy for at least next few years. Every quarter we will have this 300-400 store pipeline to be opened in the subsequent quarters.

Then why should the employee cost should normalize at least, if that is the case this quarter. And last question on the advertisement side, the marketing budget side, this quarter we haven't seen that bumpiness which would have been expected post the endorsement. So, if you can if that lumpiness will be expected in 4Q and next year that that's the last question? Thank you.

Himanshu Zota: So, during this quarter, our annual target was to open 800 COCO stores. For the current financial year, we have guided for 800 COCO store additions. In the first two quarters, we opened 134 and 221 stores respectively, taking the total to 355 stores.

To ensure that we achieve and complete this annual target within the year, we adopted a more aggressive expansion approach in the second half, particularly across Q2, Q3, and Q4. As part of this strategy, we deliberately front-loaded store additions, which is why in Q3 we put a significantly higher number of stores into the pipeline and accelerated execution so that the yearly target could be met earlier.

If we look ahead to next year, assuming a similar target of 800 to 1,000 stores, the expansion will be much more evenly phased. In that scenario, we would typically put around 200 to 250 stores into process each quarter. In contrast, this quarter saw over 500 stores being put into process due to the aggressive push, which is not a run-rate scenario.

Going forward, with a steady quarterly addition of 200–250 stores and an increasing proportion of mature stores in the network, the overall impact on costs and margins will be significantly lower and more stable.

On the second question regarding EBITDA, the EBITDA numbers being discussed are pre-rent and pre-Ind AS. We have already disclosed the pre-Ind AS EBITDA separately in the presentation for clarity.

Chintan Sheth: Got it. And the last one on marketing spend if you can?

Dr. Sujit Paul: So, your last question was that you anticipated that you'll see a boom in the advertising with the new brand ambassadors. Is my understanding, right?

Chintan Sheth: Correct in the third quarter when we announced last quarter that we were roping in, so I was expecting some bumpiness this quarter and in the second half basically. But that is not getting reflected so far, the cost has been managed pretty well.

Dr. Sujit Paul: Yes. So, we have managed the cost well absolutely right. So, what happens is that, when you run an organization, you have to plan the right timing to ensure that the entire costs are optimized and managed. And that's exactly what we are doing. I have also given a slice of the answer to one of the previous questions on similar lines that we have rolled out with both the brand ambassadors.

I gave an answer on that and BTL we have initiated a huge BTL exercises with them because it is not only that you need to flash the top line ATL televisions etc. It is that, where you have to utilize the money judiciously. That's more important.

Chintan Sheth: However, so any budget, if you can spell out what's the budget for this year, if you can spell out?

Dr. Sujit Paul: It would be as per the need of the expansion and the organizational growth. And that is the precise reason why you will. Okay let me add on one more line on this. You will see many

organizations, they put a marketing budget and based on that they kind of force themselves to spend that money. But we don't feel that very appropriate. You have to spend it judiciously towards ensuring that where you can calibrate rightly towards the organizational growth and I feel that's the right approach.

Chintan Sheth: Sure sir. Thank you for the answers and all the very best.

Moderator: Thank you. The next question comes from the line of Harsh Shah from Seven Rivers Holdings. Please go ahead.

Harsh Shah: Sir, just wanted to understand on cohort basis, how many of the stores above two years would now be making losses?

Himanshu Zota: No, on an average if there are stores with two years plus then all of them right now, not even one store is making any loss on an average basis.

Harsh Shah: No average basis I understand. But in specific terms, I think for more than two years we have 135 stores. So, out of that would there be any store which would still be making losses?

Himanshu Zota: Not more than 2% to 5% of the stores fall into this category. To put it in perspective, out of 150 stores, only about 5 to 10 stores would have monthly revenues below INR2.5 lakh, or possibly below INR2.25 lakh. Beyond that, the proportion does not exceed 5%.

Harsh Shah: Okay and stores which are between one to two years which is like 358 stores, out of that how many would there be which haven't been able to achieve break even yet?

Himanshu Zota: It would be difficult to give an exact individual store count since we are currently reporting averages. Even within that, around 15% to 20% of the stores roughly about 15% would be operating close to the break-even level. These stores are neither significantly loss-making nor meaningfully profitable but are near break-even.

Harsh Shah: Okay got it. Sure. Thank you, sir.

Moderator: Thank you. The next question comes from the line of Zohaib Rashid from Swinglist. Please go ahead.

Zohaib Rashid: Hi sir thank you for following up. And I just a lot of question regarding employee cost already been asked. Just I wanted to make sure that, though you have already stated the valid reason behind the rapid store expansion and all but coming back to the remuneration part. As the Whole-Time Director remuneration have increased from couple of Whole Time Directors, from INR42 lakhs to INR60 lakhs per annum that is a growth of approximately 43%.

So don't you think that would also constitute to some addition to the employee cost. And the second thing I wanted to ask is about the commission. So, when we would be taking out this, is it monthly basis or quarterly or annual basis, you would be taking the 1.1% commission. And where in the line item would be it be reflected that's what I wanted to ask.

- Himanshu Zota:** Yes, the commission on a quarterly basis, and it is included as part of employee expenses. All such commissions are accounted for under employee costs.
- Zohaib Rashid:** So, sir isn't that affecting the employee cost in in totality because it is applicable from October. It is applicable...
- Himanshu Zota:** The commission component is around 1%, and even after including remuneration, the total impact is at most 1% to 2%. So overall, there is no material impact from this.
- Zohaib Rashid:** If you see sir, 1% is approximately INR1.4 crores in this quarter. So yes, I mean that would be adding some few percentages in the employee cost, right? And that is most of the question was around because they saw a lot a good spike in the employee cost. So that would be a factor which would be affecting. That I wanted to say. Thank you, sir.
- Himanshu Zota:** No, that will not have any material impact. At the consolidated level, total employee cost is around INR52 crore. Even if INR 1-1.5 crore relates to this component, the impact is minimal amounting to not more than 2%-3% of total employee expenses.
- Zohaib Rashid:** Thank you so much.
- Moderator:** Ladies and gentlemen as there are no further questions I would now like to hand the conference over to Dr. Sujit Paul for closing remarks.
- Dr. Sujit Paul:** Thank you so much all. Thank you for your questions. I trust that you have got the answers of as many. We as an organization, we stand committed towards spreading affordable healthcare across the country. We believe that that's one critical parameter that we are committed to towards ensuring the same.
- On the journey of this we are spreading ourselves in urban and rural India in deep penetration towards ensuring that most of the therapeutic segments are covered with a focus on diabetic, cardiac, gastro, paediatrics, obstetrics, so on and so forth. This is the need of the hour for India, that India really needs and to make a better Bharat.
- I thank all of you for the trust and confidence level and the aggressive expansion that the organization is into needs lot of hard work and toil from the employees. It's not easy. And with this I stay committed along with the entire group, the teams, the promoters the investors and all of our colleagues to stay focused onto the mission to spread affordable healthcare in India. Thank you so much.
- Moderator:** Thank you. On behalf of Zota Healthcare Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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