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“ZIM Laboratories Limited Q4 & FY25 Earnings Conference Call” May 22, 2025



Management:

- Dr. Anwar Daud – Chairman and Managing Director -- ZIM Laboratories Limited
- Mr. Zulfiqar Kamal – Director Finance -- ZIM Laboratories Limited
- Dr. Chandrashekhar Mainde – Technical Director -- ZIM Laboratories Limited
- Mr. Shyam Mohan Patro - Chief Financial Officer -- ZIM Laboratories Limited
- Mr. Zain Daud – Investor Relations -- ZIM Laboratories Limited

Moderator: Ms. Deepika Sharma – Go India Advisors

Moderator: Ladies and gentlemen, good day, and welcome to the ZIM Laboratories Limited Q4 and FY '25 Earnings Conference Call, hosted by Go India Advisors.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Deepika Sharma from Go India Advisors. Thank you, and over to you, ma'am.

Deepika Sharma: Thank you, Sejal. Good afternoon, everyone, and welcome to the Q4 and FY25 earnings call of ZIM Laboratories Limited. We have on the call Dr. Anwar Daud, Chairman and Managing Director; Mr. Zulfiqar Kamal, Director Finance; Mr. Shyam Mohan Patro, Chief Financial Officer; Mr. Zain Daud, Investor Relations.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company may face. May I now request the management to take us through the financials and the business outlook, subsequent to which we will open the floor for Q&A.

Thank you, and over to you, sir.

Anwar Daud: Thank you, Deepika. Good afternoon to everyone. This is Anwar Daud speaking. A warm welcome to all of you joining us today for ZIM Laboratories Limited's earnings conference call for the fourth quarter and full year ended March 31, 2025.

I trust, you've had the opportunity to review our results and the earnings presentation available on the exchange. FY25 has been a pivotal year for ZIM, a year marked by focused strategic execution, disciplined innovation and resilient business expansion amidst a challenging external environment. Despite headwinds, particularly in certain legacy markets impacted by currency volatility and geopolitical uncertainty, our team responded with agility and commitment, delivering steady growth across key strategic segments.

Let me begin by sharing some key performance highlights. Of course, Mr. Patro, who will follow me, will be able to further elaborate on these numbers as well. In Q4 financial year '25, ZIM reported a Total Operating Income of INR 1,087 million with EBITDA and PAT margins at 15% and 4.5%, respectively. For the full year FY25, total revenue reached INR 3,790 million with EBITDA margin at 13.1% and PAT margin at 3.2%. Our Pharmaceutical continued to be the cornerstone of our top line, contributing 75% of the total revenue, while Nutraceutical accounted for 25%. Export markets contributed 83% of the total revenue.

A key growth driver this year, I am pleased to inform has been the strong performance of our innovation-led segment. The New Innovative Products and Oral Thin Film's sales together accounted for INR 624 million or 16.5% of total revenue. The NIP segment contributed INR 437 million, while OTF, Oral Thin Film, contributed INR 186 million. This momentum was fuelled by licensing and co-development partnerships, especially in regulated markets, which accounted for INR 98 million NIP plus OTF contributions to total operating income was 19% in financial year 25.

In line with our global expansion strategy, we entered into strategic collaboration, including a partnership with a local UAE company to scale our Oral Thin Film footprint across the GCC region.

We also established a scientific office in the Middle East and focused on our Australian subsidiary, ZIMTAS Pty. Limited with regulatory filings for innovative products currently in progress. They include Oral Thin Film as well as the complex products that we have developed and are submitting in Europe and U.K.

To drive market penetration and accelerate international growth, we appointed dedicated regional teams and seasoned business development leaders across various segments. On the regulatory and filings front, we maintained a strong momentum. In FY 25, we completed 23 NIP filings for 6 molecules, 17 OTF filings for 5 molecules, and 10 FF filings for 5 molecules in the regulated, Pharmerging and RoW markets.

These included 5 NIP filings for 4 molecules and 6 OTF filings for 2 molecules in the EU, taking cumulative EU NIP filings to 7 to date and 1 NIP and 1 OTF filing in Australia through our subsidiary, ZIMTAS Private Limited.

We also received marketing authorization during the year for Azithromycin oral suspension and Dimethyl Fumarate NIP. Additionally, our partner secured approval for buprenorphine sublingual film OTF across Europe.

On the business front, revenues reached INR 665 million, contributing 17% to the total operating income, supported by continued supply of high-margin Pharmaceuticals and Nutraceutical products to government institutions. Our differentiated offerings, especially in NIP and OTF are gaining greater adoption in institutional channels as well.

In terms of infrastructure, FY25 marked the completion of key strategic CapEx projects, including a dedicated urology suite for NIP products, a specialized liquid in pellet technology suite for high-value OTC products, and we also made targeted investments in R&D accounting for 8.8% of total operating income, along with advancements in drug delivery technologies, further enhancing our innovation capability.

As of now, our pipeline includes 12 NIP products with development of 8 already completed and the remaining will be finalized and filed through Financial Year 26, positioning us for future growth. There is a second generation of NIP pipeline available with us and work has already begun on the same. While we remain mindful of macroeconomic and geopolitical risks, especially in volatile markets, we continue to operate within a robust risk mitigation framework. Our conscious decision to avoid high-risk orders helped safeguard our financial health and maintain business continuity.

With that, I now hand over to Mr. Shyam Mohan Patro, who will walk you through the financial highlights for Q4 and Financial Year 25 in greater detail. Over to you, Shyam.

Shyam Mohan Patro:

Good afternoon, everyone, and thank you, sir. I will now walk you through the key financial highlights for the fourth quarter and full financial year ended on 31st March 25.

Let me start with quarter 4 financial year 25 highlights. The Total Operating Income stood at INR 1,087 million, reflecting a 12.9% increase on a quarter-to-quarter basis and a 7.7% decline on a year-on-year basis. EBITDA came in at INR 163 million, up by 22.5% sequentially, though 5.2% lower on a year-to-year basis. EBITDA margin for the quarter improved to 15%. PAT that is Profit After Tax, was at INR 49 million, marking a 22.1% increase on a quarter-to-quarter basis, but a 39.7% decline compared to Q4 FY24. The PAT margin stood at 4.5%.

The Pharmaceutical business contributed to INR 891 million, accounting for 82% of the total operating income, reflecting a 20.6% from the growth over the previous quarter and an 8.8% decline compared to the same quarter last year.

The Nutraceutical business contributed about INR 196 million, comprising 80% of total operating income. The R&D investment during the quarter stood at INR 76 million, accounting for 7% of the total operating income. The CapEx for the quarter was INR 65 million, primarily directed towards infrastructure upgrades and specialized facility enhancement.

Now I'll move to the full year FY25 -- financial year 25 performance. The total operating income for the Financial Year 25 stood at INR 3,790 million, reflecting a 3.2% year-on-year growth from INR 3,674 million in last year. EBITDA increased by 6.4% to INR 495 million, up from INR 465 million in the previous year with an improvement of EBITDA margin, improved EBITDA margin of 13.1%. PAT for the year was INR 122 million, resulting in a PAT margin of 3.2%.

The Pharmaceutical business contributed INR 2,836 million, accounting for 75% of the total revenue, while the Nutraceutical business contributed INR 954 million, accounting for 25% of the total revenue. Export market contributed INR 3,125 million, representing

83% of the total operating income. The domestic market recorded INR 665 million, contributing 17% of the total operating revenue -- total operating income. Annual CapEx amounted to INR 365 million, supporting capacity expansion and product development.

The finance cost increased to INR 114 million, up from INR 69 million in last year primarily due to increased borrowing, the gearing ratio stood at 44% with total borrowing at INR 1,122 million.

That concludes my remarks. I'll now hand over back for a Q&A session. Thank you.

Moderator: The first question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: Hi, Good afternoon sir. My first question is on the NIP. So I think in the Europe market now, we have 2 regulatory approvals on our name and one for the partner. So going forward, how do we see the scale-up of these 3 products in the European market, especially the Neuraxpharm, I think that's a pretty large product as far as I understand and very few competitors in this space? So what is the indication that we are getting from our partners in terms of scale up? And can any of these products be more than \$10 million kind of revenue potential?

Anwar Daud: Yes. A few of these products certainly have that potential. And we have agreements. I'm not at liberty to disclose all of them at this moment, which points towards this. Just let me take a moment to introduce our Technical Director, Dr. Chandrashekhar Mainde, who will answer -- give a few of the answers as well during this question-and-answer session. So Dr. Mainde, just you can introduce yourself and then I'll continue with my answer.

Chandrashekhar Mainde: I'm Dr. Mainde, and I'm here to answer your questions about some of the NIP products. So just I want to mention about what your first question, the launch of the product is a complex procedure in the Europe, and there is multiple languages and multiple artworks of the products has to be made. And particularly, you have asked question about the Neuraxpharm. They have already started the preparation for this thing and expected to launch in another 2 quarters about these products.

Dhwanil Desai: Yes. I mean how should we look at the revenue potential of these 3 products in next 2 years in this market, is what probably I would want to understand.

Anwar Daud: It's too early. You know that there are a lot of -- there's a lot of geopolitical uncertainty. It's an era of shortages. We are well positioned, but giving numbers at this moment is a little too early. Perhaps, as these MA start coming in and our supplies actually start, that's when we will be in a much better place to answer on the number part.

But certainly, historically, these products -- and we have been speaking about these products in our investor calls as well. They have a very interesting global presence, and we seem to be positioned well with some of these products, the competitive space is quite thin. So we are hopeful and hope to perform on the lines that our stakeholders, the investors feel this company will be able to do.

Dhwanil Desai:

Appreciate that. Sir, second question is in last 2.5 - 3 years, we have almost spent INR 150 crores on gross block. So now our gross block has moved from INR 190 crores to INR 340-odd crores. So how should we see the utilization of this incremental CapEx that we have done in next couple of years? And at a peak potential, should we assume INR 650 - INR 700 crores kind of a revenue potential as and when we utilize it to the optimal level? If you can throw some light on that.

Anwar Daud:

Yes. In one word, if you ask me, yes, that's right. We are building in CapEx for the future. We know that the products we have developed have potential. We have had early successes in the MAs receiving Mas, our filing strategy is in place, and our partnerships are in place as well. There is a rapid clip. If you see the under licensing income of this year, you will see the difference as well. So there's a lot of confidence at ZIM as well as its partners and believe in these products which we have developed for the markets.

Dhwanil Desai:

And last question, so on domestic side, we -- our absolute revenue barring the deemed export has actually de-grown from last year, while a few quarters back, we were very optimistic about domestic market, especially with our products launched in tie-up with the DRL for the urology side. So if you can give some color on that? And how should we look at domestic revenue growth going into FY26 and maybe 2 - 3 years perspective?

Anwar Daud:

Well, I actually also spoke about there being a traction in the form of several NIP products being enlisted by the institutional buyer. So that's a very positive sign that there are institutional buyers now who want to Favour these kind of products, which add convenience and treatment adherence to the patients. There is a pipeline of products which are -- which have been filed with CDSCO as well.

We are in the process of receiving approvals for these products in India as well. And we will disclose these developments as they occur in due course. So we are confident, we are positive that over a course of time, I don't know because when we'll be able to give you the exact numbers, but you will see the domestic business also growing along with the kind of margins that these NIP products command globally as well. So that's the strategy. We are on that. And last year, we saw several enlistments.

About Dr. Reddy's, this is a one-off year because they launched the year before that. So perhaps it's only one product. But Dr. Reddy's has shown interest in further products to be

partnered with us. So that's a positive sign that we have an ongoing relationship and partnership. And this product also, hopefully, because it's part of a very -- of a portfolio that they seem to be keen and aggressive in developing. So it will -- whatever the hiccup this year will not be there in the next year, and we are still positive.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Thank you for the opportunity. We have almost 4 products for which we have received the regulatory approval. But for the -- then we are yet to start the commercial supplies for one of the products for which we have a tie-up with Neuraxpharm, you have said we should be launching in another 2 quarters. But the 3 other products, Dimethyl Fumarate, I think that's a very big product for multiple sclerosis and Azithromycin suspension and is that repeated? When do you expect the commercial supplies to start?

Chandrashekhar Mainde: Yes. This is Dr. Mainde. See already, we have a tie-up with our partner, and to inform you that there is a complex process. Once we get the approval, particularly all partners' wants to market the product. So we need to do some procedures for the duplications of the licenses to the partner's name, and it is taking time for both the products, Dimethyl Fumarate and Azithromycin Suspension, the process has been started. So we are hopeful to launch this product in the third quarter. Third quarter, mostly in the end of the third quarter, this product will be in the Europe.

Ankit Gupta: Sure. And for rest of the products for which we have done the regulatory filing and are awaiting regulatory approvals, when are we expecting for the urology...

Chandrashekhar Mainde: As per most of our submissions are done through the, what we call DCP procedure, Decentralized Procedure in which we have filed in many countries. So most of our products, whatever 6 - 7 products we filed already in the first stage of the validation means acceptance of products for the further evaluation has been done.

And most of the cases, the calendar has already started. So in some of the cases, we have at the different stages of the calendar, somewhere calendar has been stopped because we have to answer some queries. So overall, I will say that we are on the track, and we are not out of the track for any product. We are on the way of answering all the queries.

So hopefully, we feel that most of the products can start getting the MAs in the last quarter or the beginning of the next this thing because we are expecting that. If anything is not specific, then in the next year, first quarter, we are expecting at least 2 - 3 MAs.

Ankit Gupta: So in FY27, second half, we'll have 3 commercial launches, which would definitely happen. And hopefully, we should -- at least in FY27 end or Q1 of FY28, we should see at least 3 - 4 approvals, is what you are indicating?

- Anwar Daud:** Yes, that's what it looks like. Everything going well. That's what it looks like.
- Ankit Gupta:** Sure. Sir, on the margins front, we saw a significant jump in our NIP plus OTF. They grew by almost 64% in this financial year. But despite that, our margins have improved slightly from 11% to 12%. In fact, FY24 was a one-off year. If we compare even with FY23, we have not -- our margins have actually declined from 13% to 12% in FY25 compared to FY23. So with NIP and OTF increasing, despite that, our margins have not improved in FY25. So what has been the reason for that? And how do you see the margin?
- Anwar Daud:** You are speaking of average margins, right?
- Ankit Gupta:** EBITDA margins. I'm talking about the Operating Profit Margin.
- Anwar Daud:** Maybe our Finance Director, Mr. Zulfiqar Kamal will answer for that. He's come prepared for that.
- Zulfiqar Kamal:** Yes. So as you are aware, our EBITDA margin for 24 was 12.7% versus our EBITDA margin for 25 is 13.1%. So there is a definitely slight improvement. But you are right in saying that the contribution to NIP products, if it is increased further, there will be a sufficient improvement in the margin going forward. So once the NIP product, OTF products what we are aiming at, once they increase, the EBITDA margin will also increase.
- And overall turnover, what we had started with the year for the target as soon as the turnover gets increased, our EBITDA margin will have a direct impact on the EBITDA because the OpEx cost and other costs will practically remain the same.
- Ankit Gupta:** Sir, one question over -- if you look at the past 4 - 5 years, our revenues have remained in the range of around INR 300 crores to INR 400 crores from FY21 to FY25. Our EBITDA margin, despite all the efforts that we are doing have remained from in the range of INR 40 crores to INR 52 crores in the past 5 years.
- Now with so much CapEx being done, the NIP being commercialized, next 2 years, can we expect that FY26 - 27, we should start growing at 25% - 30% and our margins should increase to 15% - 17%. Will that be a realistic expectation with so much of R&D.
- Anwar Daud:** That is a realistic expectation. And there is some reason for that because see, although the business is about in the range of 20% of the NIP product. And the rest of the products on which the company works are own legacy products, even though if they are complex, there is -- the competitive space is not so rare. The price pressure in these products is being more than offset by the new products. And the company is in the stage of a pivot.
- So it is letting go of some businesses as well so that -- because they don't make any sense for the future of what ZIM sees itself is becoming. So that -- I mean all of these factors

together point to a strategy. And just to sum it up, we are on a strategy. And on the strategy, I think we are on the right track because the strategy of the company has been spelled out to its stakeholders and investors since the beginning.

So shift from the old legacy products to New Innovative Products, increase in their business, tie-ups with strategic partners, commissions, and going for the kind of products which we -- I think the company has the strength to do, all that is going on as a strategy. So sometimes a mix of that is the result that you see in the financial statement. And just to explain it a little bit more, I think Mr. Kamal will...

Zulfiqar Kamal: Yes. So as you rightly mentioned, the top line is totally dependent on the increase in the NIP product and the regulated market sales. But as you have seen, there is an operational -- operating cost has been rationalized. It is now in the similar line. And once the business mix changes and the business grows, the overall margin will definitely improve both in the top line as far as -- and in the EBITDA margin also.

Moderator: The next question is from the line of Majid Ahamed from Pinpoint X Capital.

Majid Ahamed: Good afternoon Sir. Thank you for the opportunity. Sir, my first question that I have is like of the NIP and all these filings have been done, how much is now currently contributing to the Pharmaceutical business for FY25?

Zulfiqar Kamal: We already mentioned that it is contributing around 16.4% of the revenue.

Majid Ahamed: Okay. As per your internal target, what type of ballpark number can you give going forward for the overall contribution in next 2 or 3 years?

Zulfiqar Kamal: So as you are aware, we have already -- as per the strategy, what we have already mentioned earlier, Dr. Daud that our strategy is to go in for the regulated market and whatever growth, what we are going to foresee, coming from the MA registered and under registration, so it will definitely increase and it will be going around 30% - 40% in the coming years.

And for that, the CapEx already, as mentioned, has been all completed. Capacity has been built. So only there is some certain regulatory delays, which is not in our hands. Going forward, we expect that this contribution to overall sales of NIP and OTF will increase.

Majid Ahamed: Okay, sir. And going forward, sir, the plan -- is there a plan to deleverage the balance sheet or are we going to do even further CapEx? Can you give some idea on that?

Zulfiqar Kamal: No. As of now, the CapEx, whatever is in the normal stage will be there just to upgrade the facility. No further big CapEx is expected. We are awaiting all the MAs and registration to utilize our newly build capacity. So it will be a better utilization of our -- there will be a major

improvement in the asset turnover ratio going forward. No further major CapEx is now expected.

Majid Ahamed: Okay, sir. And what is the upcoming working capital days that you're looking to, going forward? Will it be remaining same or it would increase going forward?

Zulfiquar Kamal: It is on the range. The inventory days is around 80 - 81 days. So it will be remaining the same. Later it will -- as of now, it is on 100-day cycle, but it is -- we are improving it to 90 days. Rest it is overall DCA days, which is around 223 as of now, we are further expecting to reduce it further. And net GCA, if you see, it is on the range of around 60 - 63 days, which will be continuing on the same line.

Majid Ahamed: Okay. Finally, sir, last question is like what is your projection of your fixed asset turnover from this incremental CapEx any sort of numbers you can give?

Zulfiquar Kamal: Our fixed asset turnover ratio, as I mentioned, it will all depend on the getting the MA, but the asset part is now fixed only, the turnover will improve. So definitely, they will find an improvement in the asset turnover ratios.

Moderator: The next question is from the line of Rohit from ithought PMS.

Rohit: Good afternoon, sir. Sir, just first, I wanted to get a clarity. So in terms of your NIP from the regulated markets, you are expecting revenues in this year by end of Q3 and Q4. Is that understanding correct? That's my first clarification.

Anwar Daud: As our Technical Director already stated. That's what we are expecting. Although you can't really predict how the assessor will -- when the MA will really come, but we are expecting. Based on the kind of success we have had with the filings, the queries that have been raised and the way we have answered them, we do expect.

Rohit: No, no. I'm saying -- so for right now, you have Dimethyl Fumarate and Buprenorphine - so in these 2 products, you are expecting revenue in FY26 from the regulated markets? Is my question.

Anwar Daud: Yes, that's right. One side I want to give you is that these products have already -- we have started marketing these in the emerging markets. These products have 16% of the turnover of these NIP products came from the emerging markets, and they had a very positive contribution to the EBITDA in general. So the kind of margins we have imagined and the kind of business we imagine for these products, the indicative signs today are very positive for us and quite heartening.

Rohit: Right. So sir, I mean, just asking a similar question what was done -- asked by a previous participant. So sir, you mentioned that these products, and we have seen very strong

growth, and you're also saying that these margins are better, but it is not yet visible in the overall margins yet. I'm talking about Operating Margins. So this is above depreciation and interest cost also.

So we've seen that if I see your base business ex of NIP and OTF and license income, that has actually declined from FY23 from about INR 380 crores to about INR 315 crores - INR 320 crores in the last 2 years.

And it has -- last year also it declined and this year also it has declined. So what is leading to that kind of decline? And notwithstanding that, will you see margins improve? Or will we have to again see very marginal improvement in margins if the...

Zulfiqar Kamal:

Sorry sir, which number has got decline, I'm not able to understand because as per my...

Rohit:

No, no, let me clarify, sir. Let me clarify. Sir, I'm saying if I look at your overall turnover today, sir, so -- and I'm excluding the NIP and OTF from that. So this year, we have done INR 379 crores of income, excluding other income. And if we exclude the NIP and OTF income of INR 62 crores, then our revenue is around INR 317 crores.

So I do the same analysis for FY23, sir, this revenue was INR 382 crores, which means that some of the business, which we call as base business has reduced. Now Mr. Daud has said that we are also removing some business as maybe some of the low-margin business we are removing, etc.

Maybe that is also there. But I just wanted to understand that this expansion in NIP and OTF business, even if it is in emerging markets, which is also high margin as per what Mr. Daud just said, I wanted to understand when will we see that expansion in the overall numbers for the company? Will that be in FY26?

Or there is still some more culling out or more issues in the base business and which will sort of hinder that expansion in margins for us to be seen and maybe it is more towards FY27. So I just wanted to understand that.

Zulfiqar Kamal:

Yes. So this is again Zulfiqar Kamal speaking. So you have very rightly said that -- but you have said it in a different manner. The increase in NIP and OTF is our strategy and NIP product for Europe regulated market, as Dr. Daud mentioned, we are as per our strategy going on. But again, regarding the legacy product, there is a little bit downfall on the PFI side because of the headwind which he has mentioned and the currency issues which we are facing, which has now been solved.

And if you remember the last year's call, there was some -- one of our customers who has been delayed -- there was some currency issue with them. So that order delayed in this

year, which has now been taken care of. And for the coming year, our legacy business will be stabilized at the rate which was going on.

And going forward to the next question regarding NIP and OTF, all these products have been now under registration. The agreements are in place. And some part of -- like today, we have mentioned this year, it is 16%. We assume -- we are definitely projecting a growth in the NIP this year also. But the exact estimate we will be giving only after first quarter. So that NIP is a contribution of NIP and OTF going forward.

Rohit: Understood. And sir, one product I wanted to understand, so this Dimethyl Fumarate is a big product, and I think a year or 2 back, I think a lot of the generic versions their marketing authorizations were also revoked. So right now, in terms of this product, what kind of competition is there?

And what is the -- what is your expectation from this product for us? And do we have multiple partners for this? Or are we going for the opioid product only with one single partner. So if you can maybe share whatever you can share in this?

Anwar Daud: So sometimes these kind of events are also a good news for some companies, and Dr. Mainde will take you through the technology that we have and what opportunities we have on this product, even though there were multiple partners and their MAs were removed.

Chandrashekhar Mainde: I wish to inform you that this product is a very critical product, and we have something different technology from the innovator product. In spite of different technology and different pharmaceutical system, we have got a Pharmaceutical equivalency and we have got a MA. And now we have already been in the talk with some of the companies for our specialized products, including the innovator who is marketing this product. Also, we have multiple partners.

As I mentioned earlier also, now after the grant of MA, we are in the process of launching the product. Launching the product means particularly making that artwork, then the preparation, which market. So there is a language barrier. So many languages are there. And some making some leaflets and all these things for this thing. This is taking a time. So as mentioned, in the third quarter, you will see our products in the market.

Rohit: Got it, sir. And sir, just technically one thing. So when we say -- so you will start selling, you will start booking revenues in the third quarter for your partners, right? Or will the product...

Anwar Daud: So it will depend on our partners. So that's the expectation. And just to add to what Dr. Mainde, he made a technical statement. So our process is not infringing. The reason for which the MAs were withdrawn was that their process actually infringed the originators'

process. So there are a lot of -- there is some interest from potential partner whose MA was withdrawn as well for ZIM's product.

Rohit: Right, right. And sir, last question before I join back is that, sir, this partnership that you have with Globalpharma that you just announced last month. So can you share some contours of that? What exactly will it be? And when will -- I mean, what kind of opportunity...

Anwar Daud: I mean we have given out the information there. It's a very -- we are a very transparent company that way that whatever we can disclose has certainly been disclosed there. It's for the entire Middle East and its Globalpharma, if you go on their website, you will see the ownership as well.

So you will understand it's a very strong company. It's like a flagship for the country. And this partnership and with us is a long-term relationship with Globalpharma and ZIM to put the Oral Films in the market. And certainly, it's a very interesting role for them to play in the Middle East. And it's a 10-year partnership.

Moderator: The next question is from the line of Kartik from Samatva Investments.

Kartik: Sir, the first question is, since we already have a few MAs in our hand and few have come pretty recently. And you have already clarified that the -- we can see the impact on the sales from Q3 this financial year onwards. Can you clarify when is your production scheduled in order to...

Anwar Daud: Productions are scheduled based upon the -- after the press, and the packaging and all those artwork and everything is finalized, and it's entirely in the hand of the partner. So once we receive the order, certainly, we'll start our manufacturing activities, and we will schedule for some kind of launch that they have, it will be well in advance, certainly, of their launch.

It is difficult to predict when we will start manufacturing. We have the CapEx. We have everything in place now and the agreement with the partners as well. So now just waiting for everything to fall through from the partner's side so that we can start our activity and they can be in the market.

Kartik: So to get the sales from there, I'm hoping that either in Q1, which is the current quarter -- Q2, the next quarter, we have to get the production done. So I'm hoping that all the procurement.

Anwar Daud: We'll be clearer about the numbers by between Q1 to Q2, and we'll be very happy to share them with you.

Kartik: So no, my question was around -- so the procurement of the raw material, getting that and getting the packing material, getting the product dispatching, receiving there and then doing sales, all that should happen within the next 4, 5 -- 4 months, right?

Anwar Daud: Yes, we are expecting that.

Kartik: Okay, Sir. My second question is, so we have had the domestic revenue in the FY...

Moderator: Yes, we lost your audio. Can you please repeat your question?

Kartik: For domestic revenue for FY24 was INR 64.6 crores, whereas in FY25, it declined to INR 53.6 crores. I also understand that there was a statement made that voluntarily, we are also not interested in certain low-margin business that was there and another statement saying there are headwinds with respect to volatility in certain markets because of currency and all. So since I'm restricting my question to only domestic, how much of this 17% de-growth is related to voluntary reduction and how much was regarding the market?

Anwar Daud: Well, it is the market in the sense this was an election year. As you understand, governments make -- institutions make their budgets only -- actually, there is a kind of stoppage or pause in orders from institutions during the election and after that. There is there's about system. So this happens only once in 5 years. And that's what happened this year as well.

I'm sure this will pick up this year, but we will be -- as you have also been able to repeat that for us, that we are very mindful of not doing the things that other institutional players. We are enlisting our NIP products.

And we'll work in complex products. So those by definition are going to be -- although there's an increase and a very heightened interest in these kind of products by institutions and they have margins and less competitive space, but that's the strategy, to be in the institutional business and out-licensing business in India with high-margin products. We certainly keep on sacrificing the low-margin business.

Zulfiqar Kamal: This is specific to your question, there was an order of government of Maharashtra in 24 of around INR 20 crores, which because of the election year of INR 20 crores order was not received in the year ending March 25. And it did not defer for the next year. Only one order was there, which has made a little bit of difference.

Kartik: Just a related question to that domestic sphere itself. We have a star product at least within the urology space and which is an NIP and we are doing it with our partner, Dr. Reddy's. How is the performance of that incremental growth happening in that part?

Chandrashekhar Mainde: At present, Dr. Reddy's has launched this product in the limited segment with limited states. And from this year onwards, I think they are planning to take the products to all the states. They are marketing state-wise. So we are expecting growth from that.

Kartik: So the new urology suite that you have just done the CapEx for, does that cater to this as well?

Anwar Daud: Yes.

Moderator: The next question is from the line of Shyam from Atlas Financial Partners.

Shyam: Thanks for the opportunity. My first question is with respect to how does ZIM plan to accelerate institutional channel penetration domestically, especially for its differentiated NIP and OTF products?

Anwar Daud: Can you repeat yourself, Shyam? It wasn't clear.

Shyam: Okay. How are we planning to accelerate institutional channel penetration in domestic market, especially for our NIP and OTF products?

Anwar Daud: Well, we are in the -- as I already told you, there are 2 areas in which -- because ZIM has a strength in the institutional market. So we have started registering these products with the institutional buyers, and we have had a fair degree of success last year. And the results will be there in the next year in the domestic business as we go forward. That's one.

The second part is out-licensing these kind of products to Indian partners. But we are being careful about the tie-ups here because we don't want the products to be compromised in our export business, where we have already signed decent agreements. So it's taking us some time to select the right partner for the right product.

And we are in the process of appointing a domestic out-licensing executive who understands the nuances of these products and with the right connection. Perhaps that strategy could actually add to a more structured format for the out-licensing business domestically.

Shyam: So are we in discussions for new MAs for institutional channel in domestic markets for our NIP products?

Anwar Daud: Yes. That's what I said. We are enlisting these products in the institutional markets. We have met some success in last year.

- Shyam:** Okay. So my next question is with respect to the ZIM's strategic intent to focus on Australia through its subsidiary. So if you can put some color on that, how it would be that will be covered over there.
- Anwar Daud:** Zulfiqar will add the --
- Zulfiqar Kamal:** Yes. So in Australia, we have filed 2 products. One is NIP and one is OTF, which has already been mentioned by Dr. Daud, and we are expecting to get their MAs immediately. We are already in discussion with major distributors as the products are registered in our own subsidiary and the MA belongs to ZIM itself. So we are finalizing that marketing agreement. And within -- by second quarter or third quarter, we'll be able to have a clear idea of launch about -- of launching of these products.
- Shyam:** So how big is the market we're expecting in Australia and what will be the contribution in our top line from Australia?
- Zulfiqar Kamal:** As of now, it's too early because once the MA and the price are fixed, then only we'll be able to get the proper projections from the marketing and the distributors. And that time, we'll be able to understand the exact margin.
- Shyam:** Okay. And so my next question with respect to the research expenses that we are doing. What is the proportion that is going into salaries and what is the proportion that is going into buying of testing machine or other expenses?
- Zulfiqar Kamal:** So R&D expenses, as informed to you earlier, it is around 8.5% and which is -- which will be on the similar line going forward because we are under -- now started developing our NIP 2 line. And this will be giving us the technology and what Dr. Daud and Dr. Mainde are working on it.
- Moderator:** The next question is from the line of Nikhil from JM Financial Family Office.
- Nikhil:** I'm still new to the company. One thing I wanted to understand is that if I see the historical growth rate, etc., over the last many years, the growth rate has been fairly muted. And now we are talking about, say, something like a 25%, 30% growth rate in the next, say, 2 - 3 years.
- I'm just trying to think, one, why has the past performance been so slow? Is it because the product approvals have taken time? Or is it that the strategy was getting built out at that point of time? And to avoid a similar slow phase of growth, say, in the next 10 years, I'm just saying in a big picture way, what is the steps which we are taking that this thing doesn't repeat in the next 10 years, basically?

Zain Daud:

So Nikhil, this is Zain. So I think like you rightly said, in the last few years, what had happened is, once we took a strategic pivot, the company of this size in a Pharma industry, there is only limited amount of investment and limited amount of focus we can have. So we decided that our strategy, like we have told investors before, is the Europe and developed market strategy.

So once we started that strategy, obviously, some of the focus was on that. And like any strategy in Pharma, it takes some years to progress and bear fruits. So I think this time when we have this strategy, once the strategy play out, Dr. Daud will explain to you further how the strategy is going to play out in the next few years.

Anwar Daud:

So see, it's a company which is pivoting from the RoW, domestic, emerging market business into the regulated markets business, so the capital investments and the recruitment, everything is being done, keeping in mind our products and where we want to be in the next few years. So the pivot itself has dictated the strategy of -- if you see the internal product mix, there's a big difference.

The contribution is now Nutraceuticals is about 15%, and the contribution by the NIP and OTF business is in the range of 16%. And this is just the RoW and emerging markets business. I also spoke about the gross margin improvement, how even the small business, about 10% of the total business has contributed to the increase in margin.

So all that is also reflected even though the top line remains the same, the MAs coming in, the patents we have, the kind of agreement income that we have, out-licensing income is a very good indicator of the quality of your dossier because we have -- the agreements are -- the out-licensing deals are with companies in the size of between \$350 million to about \$1.5 billion.

And they will not sign these agreements unless they are confident of the product as well as the quality of the dossier and the quality of the submission. So all that is there, which gives us a lot of satisfaction that we seem to be on the right track. And top line is not -- for a company like this, top line is not the only indicator of success.

Nikhil:

No, I'm sure you're right. But it's just that finally, there has to be growth, right? And the strategy, as you're rightly saying, are tuned to that going forward. So I understand it's taken some bit of time. But with the pipeline which is in place, as you're saying that we should be now growing in the range of, say, 25% - 30%, say, in the near term, next...

Anwar Daud:

We have already said that. We have already said that. In the next 2 years, the first question was about this. And I mean, it's a kind of a yes or no required from us in the next 2 or 3 years, do you see the company growing? And we said, yes, certainly, because all the MAs are coming in now and coming in the 3 or 4 quarters that we have spoken about.

And some of the MAs which are already there, there's a pretty active interface with the partner on the artwork and all other things and along with the kind of the intent to place orders and the kind of quantities they want to buy initially. Our marketing team is also growing, and we'll continue that for the next few years as well.

Nikhil: And the last bit would be, as these products come into actual market, how do you see the operating -- the EBITDA margin profile really changing? Like what kind of improvement one can expect, say, the next 2 to 3 years?

Anwar Daud: I think Zulfiquar can add to that.

Zulfiquar Kamal: Remember, we have mentioned earlier, the EBITDA margin will definitely have a big impact on it because the operating income, everything has been rationalized. The R&D expenses, even though it is a little bit high, we foresee a good EBITDA margin on upper teens, we are expecting that going forward.

Moderator: The next question is from the line of Shreya Chatterjee from MaiQ Capital.

Shreya Chatterjee: Thank you sir for taking my question. Sir, my first question is like with so many developments happening in the NIP - OTF side and then base business also suffering. Could you please give us like a guidance -- revenue guidance in the next 2 to 3 years? And when do you see the margin inflection happening, EBITDA margin inflection happening? Would it be like from FY26 or from FY27?

Zulfiquar Kamal: So already we have mentioned earlier and again and again, where we are looking for the upper teens EBITDA margins. And definitely, with whatever has been said on the regulatory front there because something is not in our hands. And once the regulatory approvals are received, our top line will also increase.

And as we have mentioned, the CapEx and everything is in place. We are hiring more marketing team for growth. So perhaps this year, there can be a good growth, but the exact earnings guidance we'll be able to give you from the second quarter.

Anwar Daud: Third quarter.

Shreya Chatterjee: Sir, if I understand correctly, how much does this NIP plus OTF can become as a total percent of your business? Can it go to like 25%, 30% or 50%?

Anwar Daud: Over a period of time, it could be half and half. It can go up to 50% also. Over a period of time. Over a period of --

- Zulfiqar Kamal:** But exact guidance, we'll not be able to give this today. We'll be able to only give after second quarter where we'll be very much clear about from the -- our MA received and the marketing partners what we have already agreed with.
- Shreya Chatterjee:** And sir, my second question is, do you have any plans of deleveraging as of now? And if so, what -- like what is the plan to go forward?
- Zulfiqar Kamal:** No. As we have mentioned, the CapEx has already been closed. Our borrowings have been already closed. So there is -- and we have been able to finance all these things from internal accruals and borrowings. So going forward, there is no plan of deleveraging or any adding.
- Anwar Daud:** At this moment. As of this moment for sure.
- Shreya Chatterjee:** And sir, if I may know your current capacity utilization and what will it be like in the future?
- Zulfiqar Kamal:** Pardon?
- Shreya Chatterjee:** Current capacity utilization and what will it be like in the future?
- Zulfiqar Kamal:** Capacity utilization?
- Shreya Chatterjee:** Yes.
- Zulfiqar Kamal:** Yes, yes. Capacity utilization as of now is -- as we have mentioned, both the suites are now ready. It is as of now very low. Whatever we are ready for the turnover and whatever this will be there, there will be no further capital expenditure going forward.
- Moderator:** The next question is from the line of Pujit Agarwal, who is an individual investor.
- Pujit Agarwal:** Hi. So I just wanted to understand like what kind of steps are you guys taking in terms of marketing, like employee cost should stabilize around INR 65 crores to INR 68 crores for FY 26?
- Anwar Daud:** That's right. Yes, yes. The employee cost is also keeping in mind the next 3 years the company has and keeping that, I think it will more or less stabilize. We have right number of personnel and executives, highly qualified members in the team to take this company forward in the regulated markets. And we just spoke about in due course of time, having a half and half mix of business in the regulated and emerging markets.
- Pujit Agarwal:** And I just wanted to understand from Dr. Mainde, like, I mean, since the research work that you guys started like 4 years is almost going to come to an end in, let's say, FY27, what is the future pipeline? And what kind of R&D are you guys looking at in the future...

Chandrashekhar Mainde: As I mentioned in our talk, we are already finishing up our first NIP products, and we have already selected the other NIP products, which are also on the same line. They are also differentiated NIP products. And most likely, these products are more complex and they are first to file. So already, we are in that direction.

At this moment, it is very confidential to disclose anything. But these products will also be based on our platform technologies. So we will have a -- 2 protection from our platform technology. It is under well patented as well as a product patent.

Pujit Agarwal: Got it. I just wanted to understand like this fiscal, Bangladesh and UAE, what is the percentage of revenue that they have contributed?

Anwar Daud: We don't give out such details.

Zulfiqar Kamal: It is difficult to net out that detail between formulation and others. But going forward, once the business mix will be stabilized, we'll be able to disclose.

Moderator: The next question is from the line of Ashwin Reddy from Samatva Investments.

Ashwin Reddy: Hi, Good afternoon. Thank you for the opportunity. So my first question is on the, say, for the next -- for FY26 and for FY27, what would be the absolute spend on the R&D and on the CapEx for each of the years? I mean at least an approximate plan that you have for the next 2 years, R&D spend & CapEx.

Zulfiqar Kamal: So as far as I mentioned, CapEx will -- all the major CapEx have already been completed. There will be only -- the CapEx will be on the more on the up-gradation and improving technology. No further major projects will be taken forward. As far as the R&D, it will be on the similar absolute numbers, which we'll be spending to keep the R&D momentum of NIP and NIP pipeline going forward with the same BE and the filing budgets. We have already approved BE line for bioequivalence study products going forward and filing will continue on the same absolute numbers. So in short, it should be in the similar line.

Ashwin Reddy: And my second question is on the legacy business. So when you said that the currency issues with a large client have now been resolved, so would the legacy business stabilize at the current level? Or should we see a recovery back to the previous level in terms of the legacy business?

Zulfiqar Kamal: No, it will be seen back to the previous levels, and there will be a nominal growth also on the same line on the legacy.

Ashwin Reddy: So you're saying that the business will come back to where it was in the past...

Zulfiqar Kamal: It will be as per the past trends only.

Ashwin Reddy:

And the final question is on the Phase 2 of the NIP, which is starting now, where you want to do work now. So from the whole learning from the Phase 1, so can you talk about the key learnings in terms of the go-to-market or in terms of your approach in terms of understanding the end market, understanding the ease of sale, the partnership the whole bit, what are the key changes that you would want to make in the Phase 2 of this journey?

Anwar Daud:

The learnings are the kind of learning that apply to any new entrant. First of all, the strategy about pivot where we need to file, where we don't need to file, okay, the kind of partners we need to approach and what stage we need to approach them. Perhaps some of the approaches were too early and some of them were too late. So we have to be very strategic in the moment we select the products. We have to be strategic about the partners we took to get in touch without losing confidentiality. So that's one of the learnings.

The other learning is the filing strategy. And I feel every stage of this kind of business that a young company for this kind of business, we are a young company, does, will always be learning.

One of the things -- one of the good outcomes of the learning and trying to enter this kind of a market is having an understanding of the general regulatory tightening in even the emerging markets. Which is standing us in very good stage because of the kind of quality system we have built for exporting our products to the regulated markets. I think we are having a far easier time in the regulatory tightening that is happening domestically as well as in the emerging markets.

Chandrashekhar Mainde: Here one of the learning what we have taken. Earlier, we are giving our dossiers, particularly all dossiers and our partners are filing. Now we are also -- as at ZIM also, we are filing and investing in so that at the end of all process, ZIM will have also its MA on its own name. Once we have MA on its own name, we can have all rights to multiply the MA. We can have many partners.

So now we are keeping almost all rights with us. And most of our deals, whatever now we are signing are nonexclusive. So this gives us the very wide chance to have approach to the many customers and maximize our efforts in all markets. I mean in Europe, there are 26 countries and so many players. So this gives us quite a nonexclusive deal, gives us quite a flexibility to approach to multiple partners once we have a MA in the place.

Anwar Daud:

Everywhere, this is our strategy. This is the opportunity that presents itself to any company once its track record in filing, in making these kind of products, having the bioequivalence and having partners who have a certain reputation and prestige. So once you have that, then you have the flexibility and the opportunity to be able to dictate some terms. So that's a learning, and we are -- we have learned that well and we are going to use it.

Moderator: The next question is from the line of Deep Gandhi from ithought PMS.

Deep Gandhi: So sir, I have 2 questions. So first is a bit on the long-term perspective side. So last 5 - 6 years, we've spent and we've spent a lot of time money towards R&D. But from last 1 - 2 quarters from your commentary, it seems like finally, we are at the cusp of getting fruits of that R&D now.

The point is that it might start in Q3 - Q4, not interested in that. But can you talk about this? I mean, are we right in our understanding? And what are the risks you see? I mean, apart from the execution risk, you might see some delays. But apart from that, what are the risks you see today?

Anwar Daud: Well, the biggest risk and the most -- I mean, all of us in India are aware of this risk is the geopolitical instability. That's there. Currency fluctuation, currency problems. It's an uncertain world. We have tried to protect the interests of this company and its stakeholders by, first of all, spreading ourselves on having a larger geographical footprint. That's number one.

Number two, staying -- also staying back on our legacy business because those are the roots. We are choosing the kind of business we should do in our legacy markets, but we are not letting go of them. So we are increasing our foothold without letting go of the geographies in which we have traditionally been present. So that -- maybe it's the company's business.

Also, the kind of investments we have done during this 4 or 5 years would be very difficult to do in these kind of uncertain times for any company. So we are happy with what has been done in the last 4 - 5 years in terms of CapEx and building up a team, which can take us forward confidently in the next 3 or 4 years. So that's been done.

We have had a lot of learning in the filing strategies and the partnerships and the terms on which we should do these partnerships as well. So it's all good. In fact, there are some places where these kind of products have, in the RoW and emerging markets, where these products have -- command very good margins, and we are very well placed competitively because of the way in which we have worked in these additional markets.

So it's a good strategy. It's a mix of derisking, having a much broader geographical footprint looking to our size and taking advantage of the kind of markets that are being offered to the company at this time in terms of the successful execution of our NIP strategy.

Deep Gandhi: Thanks for that detailed answers. And sir, second is again on the legacy business side. I mean you are expecting that order to -- the order which got deferred. So that might happen

this year. So what kind of growth are you expecting in the base business for FY'26, if you exclude, say, the NIP and the OTF products?

Anwar Daud: Yes, 5% - 10% I mean that -- because see, you have to understand there's uncertainty everywhere. So this is what we know at this moment. This is the first quarter. Probably at the end of the second quarter is when we would be able to give you the growth, the percentages and numbers with a lot more confidence about the year.

Moderator: The next question is from the line of Rohan Patel from Turtle Capital.

Rohan Patel: Thanks for the opportunity. So sir, you have already given your goal of taking our NIP and OTF to 50% of our sales. Considering that you are now more sanguine about the prospect of NIP and OTF and we are way closer to getting marketing authorization in regulatory in Europe and we have partners that are ready to start selling. Can you just give us an insight in how do you see this NIP plus OTF going from, say, 19% that we are in FY25 to, say, in FY26 and FY27, how will that transition be for us?

Zulfiqar Kamal: We are very optimistic about that transition. Details are -- we have already signed agreements for the sale. Our marketing partners and the filing partners have given us the proper projections for it. But as you are aware, this is a very -- we'll be doing it for the first time, and there are a lot of regulatory hurdles like Dr. Mainde and Dr. Daud mentioned.

So exact growth, which will be for this year and the next year will be difficult. But as we mentioned, the growth we have already given our guidance that going forward, it will be more than 30% to 40%. It will NIP and the OTF will contribute around 30% to 40% of our total turnover.

Rohan Patel: And sir, just to understand it better, currently, we are at INR 62 crores of base and we want to take this -- like we are giving -- you are accepting that we want to grow at 25% - 30% CAGR rate for next few years. So that would be considering that NIP and OTF would be growing much faster than it.

So do you think that most of that growth will be coming from 2 to 3 products for which we have MA and that would be like focused on from 80% of our export contribution. Most of that growth will come from our regulated market and 2 to 3 products concentrated?

Zulfiqar Kamal: Yes, definitely, it will -- not only from the regulated market, but also from the RoW market because the filing of these products are being done both in the regulatory and RoW market. Also from other emerging markets where there is an advantage like if you get an MA in EU, there are very fast track registration in Australia and other U.K. and Australia and other Pharmerging markets.

So definitely, we will take advantage of that regulatory support and registration support. So all in all, NIP and OTF products after getting MAs, there is a lot of opportunity gets open for us. And we are depending on the growth going forward from these 2 segment of the business. So they will contribute more than 20% - 30% going forward, 30% - 40% going forward on the total sales. So there will be not a 20% growth over the last year. Their share NIP and OTF on the total sale will grow.

Rohan Patel:

And considering that a lot of things are as per going our plans and we are also by Q3 starting with selling, do you find any risk or constraints that could come and hinder our growth or make it difficult for us to achieve our targets?

Zulfiqar Kamal:

Yes. So as we have earlier also mentioned, there is a regulatory risk what we are looking at because that is not in our hand. And secondly, in most of the cases, we are depending on the marketing partner to launch the product and bring it in their market.

So our role mostly becomes being ready with the product, being ready with the quality product, manufacturing and delivering it as per schedule. But the marketing and marketing expertise, we mostly depend on the marketing partner. So that is the risk which we always have. If the marketing partner is not able to deliver, then there can be a little bit of setback we can say.

Anwar Daud:

We are trying to mitigate that by having multiple partners' on nonexclusive business.

Zulfiqar Kamal:

And to mitigate it, we are having multiple partners on nonexclusive basis.

Anwar Daud:

And additional MA on our own name in every country.

Moderator:

Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Anwar Daud:

In closing, I would like to express my sincere gratitude to the entire ZIM team, our partners, stakeholders and especially our shareholders for your continued trust and support. Your confidence really drives us and keeps us focused on sustainable growth and value creation, also safeguarding your interest by derisking the business to the best extent of our ability in these turbulent and uncertain times.

So we will keep on working, and we'll see that your confidence in us remains justified in the next few years, and we are able to give you the kind of performance which you expect from us.

Thank you very much for the opportunity to present you with this -- all the information that has been presented today.

Moderator:

Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.