Zim Laboratories Limited
Q4 FY26 Earnings Conference call

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Moderator

Good afternoon, ladies, and gentlemen, I am Akash, moderator for the conference call. Welcome to Zim Laboratories Limited Q4 FY26 Earnings Conference Call. As a reminder, all participants will be in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing, "*" and then "0" on your touch phone telephone. Please note this conference is being recorded.

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

Deepika Sharma

Thank you, Akash. Good afternoon, everyone, and welcome to the Q4 and FY26 Earnings Call of Zim Laboratories Limited. We have on the call Dr. Anwar Daud, Chairman and Managing Director; Mr. Zulfiquar Kamal, Director of Finance; Mr. Shyam Mohan Patro, Chief Financial Officer; Mr. Chandrashekhar Mainde, Technical Director; and 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 faces. May I now request the management to take us through the financials and 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, everyone, this is Anwar Daud speaking. A warm welcome to all participants joining us for Zim Laboratories Limited Earnings Conference Call for the fourth quarter and full year ended March 31st, 2026. I hope you have had the opportunity to review our results and the accompanying presentation available on the stock exchanges.

Before I discuss our operational and financial highlights, let me begin with an update on our EU GMP remediation and CAPA implementation, which continues to remain our highest strategic priority. I am pleased to report that we have substantially completed our CAPA implementation. The majority of CAPA responses have been submitted and outstanding regulatory queries have been addressed. We have done everything in our control to prepare comprehensively for the regulatory inspection and were ready from a compliance standpoint. I am also very pleased to share that our manufacturing facility located at B-21/22 MIDC Area, Kalmeshwar, District Nagpur, has recently undergone a regulatory re-inspection conducted by the German and Portuguese regulatory authorities' team as part of the EU GMP compliance and remediation process.

The inspection was held from 4th May to 7th May 2026, and we have been given to understand that a positive outcome is expected on successful resolution of CAPA to the present inspection. We continue to

be in active engagement with the regulatory authorities following the inspection. We will keep all stakeholders appropriately informed as developments unfold.

What I want to emphasize today is that meaningful and substantive progress has been made, and we enter this next phase with confidence in the quality of our CAPA and the thoroughness of our preparation and the expected outcome of the inspection. In parallel, we have continued our proactive business continuity measures, including alternate certification and site transfer activities for select key products to ensure minimum disruption to customer commitment and to protect our regulatory footprint across markets.

These steps reflect our commitment to maintaining strong relationship with our global customers through this transition period. So, the operational highlights of Q4 and FY26 are turning to our business performance. FY26 has been a year of resilience and disciplined execution. Our full year revenue performance remains broadly in line with the previous year, and I would like to provide important context for this. The MENA region, a strategically important market for us, was significantly impacted by geopolitical disruption due to the ongoing conflict that began around February 2026.

We estimate a revenue impact of approximately INR 20 crore that we could have otherwise achieved from this region. This was entirely an external and macroeconomic factor and we expect this business to recover as geopolitical conditions stabilize. To ensure full transparency, we have introduced a dedicated regional revenues live in our presentation this quarter, which clearly illustrates the MENA impact and the underlying health of our other geographies. Despite these headwinds, our core pharmaceutical business continued to demonstrate healthy sequential traction.

We have grown quarter after quarter on a sequential basis, which is a strong reflection of the underlying strength of our base business and the quality of our remediation. Our NIP and OTF business have shown better performance in Q4 compared to the preceding quarter and is on a sequentially improving trend. While YoY comparisons remain softer given the linkage of pipeline approvals to EU GMP reinstatement, the sequential recovery gives us confidence that this segment is gaining a real momentum. On the organizational and capital allocation update, I would like to inform that our international business development function is now fully staffed and operational.

Mr. Vikrant Bendre, our President of International Business has built out his team with dedicated regional help over in key geographies. We believe this structure will meaningfully strengthen our emerging market business in the coming year and the earlier results are encouraging. We also made three additional senior leadership appointments during the year, Mr. Sridhar Reddy as Vice President - Quality Assurance, Mr. Jitendra Pandey as Vice President - Human Resources, and Mr. Srinivas Chowdary, Vice President – Purchase, further strengthening our capabilities across compliance, quality, purchase and people function.

As we look into FY27, we are optimistic. Our CAPA is substantially complete, inspection is already done, and our organization has been sterling. Our sequential business momentum is intact, and our innovative NIP and OTF pipeline remain ready to scale. When the EU GMP inspection having been conducted and the reinstatement process is now underway as per our estimates.

Subject to stability in the geopolitical and macroeconomic environment, we believe Zim is well positioned to deliver a stronger performance in FY27. The building blocks are in place and we remain focused on executing with discipline and purpose.
I will now hand over to Mr. Shyam Patro, our CFO, to walk you through the financial highlights for Q4 and the full year FY26. Over to you, Shyam.

Shyam Mohan Patro

Thank you, Dr. Daud. Good afternoon, everyone. Let me provide a summary of our financial performance for Q4 and full year ended 31st March 2026. The earnings presentation is available on the exchange and I would request investor to refer to it alongside these remarks. Let me go through the Q4 FY26 financial summary.

For the Q4, the company delivered a steady performance with continuous sequential improvement across clear operating metrics. Total operating income for Q4 FY26 stood at approximately INR 1,053 million supported with strong traction in our core pharmaceutical export business. EBITDA for the quarter stood at approximately INR 134 million translating to a margin of approximately 12.7%. Margins continue to reflect the impact of elevated profit operating expenses and ongoing investments in regulatory and compliance initiatives that were partially offset by improved product mix and operating leverages. Profit after tax for the Q4 stood at INR 37 million reflecting the sequential improvement compared to the previous quarters.

Exports continue to be the dominant revenue driver contributing at approximately 82% of the total operating income during the quarter. Revenue for our NIP and OTF platforms stood at INR 254 million representing 22% of the operating income. Sequentially, this segment performed better in Q4. If it comes to FY25-26 full year, the summary is under, like, for full financial FY26, our performance reflects a year of managed resilience against the backdrop of regulatory transition and external microeconomic disruption, full year total operating income stood at approximately INR 3,744 million, broadly in line with FY'25. The flat revenue performance is primarily attributed to the estimated INR 20 - 25 crore impact of MENA disruptions and continued effect of EU GMP related constraint on our regulated fair market pipeline. Full year EBITDA stood at approximately INR 414 million. Margins are affected by higher operating expenses driven by investments in regulatory compliance, quality infrastructure, and organizational capacity building. Full year PAT stood at INR58 million.

Profitability remained impacted due to elevated cost and higher finance service consistent with our stated investment priorities for FY26. We continue to invest our innovative pipeline. INR 311 million was allocated to BE studies and registrations advancing our NIP and OTF platform in preparation for the post EU GMP growth phase. Our balance sheet reflects the capital allocation decision of the year. The preferential issue proceeds are being deployed towards capacity expansion and CAPA infrastructure as planned. We remain focused on improved financial efficiency and managing leverage as the revenue scales up in FY26.

To summarize, Q1 and FY26 as a whole reflect an organization that has navigated a challenging regulatory and geopolitical environment with a disciplined, maintained sequential business momentum, completed its CAPA, strengthened its leadership, and invested purposely in the future growth platform.

We're committed to completing the EU GMP journey, scaling our international business and delivering a long-term potential of ZIM Laboratories. We enter FY27 with clear strategy and strengthened team and a strong resolve to deliver. With that, we would like to open the floor for questioning. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press "*" and "1" on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing "*" and "1" again. Ladies and gentlemen, if you have any question, please press "*" and "1" on your telephone keypad.

The first question comes from the line of Mr. Dharsil from Finterest Capital, please go ahead, sir.

Dharsil

Hi, sir. Good afternoon. Am I audible?

Anwar Daud

Yeah. Very well.

Dharsil

Yes, sir. Sir, first question is with regards to, you know, NIP plus OTF revenue, you know, it fell from 62 crores to, you know, what? 48 crores now due to this EU GMP audit. So, which are the products that are most impacted in this, and what happens after this, you know, accessory restored?

Anwar Daud

Yeah. So, I think our finance director has the numbers for this.

Zulfiquar Kamal

So, what we are looking at that NIP product, basically, which is going to be for the regulated market. That will be starting as we have mentioned earlier. The agreements are in places. We are awaiting the EU GMP certification, which we expect somewhere in second quarter. And post that, NIP product, which will be giving -- expecting some revenue in the fourth quarter. So, by that time, the regulatory agreements and MA will be complete.

Dharsil

Okay. So, what is this addressable revenue opportunity in this?

Zulfiquar Kamal

Yeah. So that as of today, we cannot give you exact guidance because it all depends on the timing of receiving the MA and the customer relaunching the final product in that part.

Dharsil

Okay. Understood. And the second question is with regards to, you know, so we have received MA for, you know, dabigatran capsules in 2026 May. So, what is the market opportunity over there, and if you can share, who is the partner and, you know, when this commercialization begins?

Zain Daud

Yeah. So the market is strong about $400 million in Europe alone. Italy itself is a $60 million market for us, and we are looking at commercializing this as soon as the EU GMP is back on track. We have some contracts already signed, and there are interested people who are now more keen to sign agreements as we have the MA. So, we are looking at a market size of about 400 for the entire European Union; $400 million.

Dharsil

Understood, sir. Final question is with regards to, you know, our seller. Hello? am I audible?

Zain Daud

Yeah.

Dharsil

One more question is with regards to our R&D. One is that, you know, almost 8.3% of the revenues were there for R&D. So, what is the kind of budget that we see for FY27? And another question would be with regards to Sildenafil OTF that has reached, you know, commercial supplies. So, is it generating revenue? I just want to understand. It's two parts.

Zain Daud

So, I think when it comes to first, I'll answer the second question. See, Sildenafil, right now, the supplies have stopped because, obviously, we are in the remediation process. Once we get back our EU GMP, we will restart the supply of Sildenafil. So that was going to Europe, and that is the reason it stopped right

now. In terms of R&D, we'll be in a similar percentage because we have our next pipeline of products ready, which we want to develop as soon as we can. And you are looking at a similar percentage next year as well.

Anwar Daud

Hello?

Moderator

Dharsil, sir, do you have any more questions, sir?

Dharsil

No, I said thank you. I'll call back in the queue, thank you so much.

Moderator

Thank you so much, sir. The next question comes from the line of Mr. Deepesh Sancheti from Maanya Finance. Please go ahead, sir.

Deepesh Sancheti

Yeah. Hi, you mentioned the May 4 to May 7 EU GMP inspection by German and Portuguese authorities is complete, and you're in active engagement with regulators. Can you share the current status? Have you received any preliminary observations or any draft inspection report? And what is the expected timeline for reinstatement?

Anwar Daud

Yeah. So, the draft inspection report is expected the next coming days. All our, you know, statements are related to the wrap up meeting in the end of the day, and I have already said that we expect a positive outcome based on the audit that have been conducted, which, you know, the findings were informally shared with us in the wrap up meeting.
So based on that, the moment the report comes in, we will understand more clearly what are the requirements of the CAPA.

We feel very confident that with the kind of work that has been done by our QA team and our entire technical team led by our technical director that we will be able to engage with the authorities and, you know, find an appropriate acceptable CAPA in a very short time after receiving the report and with an acceptable CAPA. So, we are confident that we will be able to navigate our journey back to being EU GMP accredited in the coming days.

Deepesh Sancheti

Right. The previous EU GMP was unsuccessful in July 2025. What was the root cause deficiency and how confident are you that the CAPA submitted addresses all of them? And what is the scope of reinspection identical to the origin?

Anwar Daud

Yeah, So -- I didn't catch your name.

Deepesh Sancheti

Dipesh -- Dipesh Sancheti. We met in..

Anwar Daud

Dipesh, so, you know, the problems as identified by the audit team are in public domain. I mean, they are available on the Eudra website, and there were data integrity issues identified by them. Certainly, Zim had a different view on our conclusions are also part of the submission we have made to the authority. Some things are certainly not right. Our over dependence on manual documentation and other issues was there, certainly. This year, we worked to address all those, and a lot of digitalization and automation has been done in the company to reduce any suspicion of data integrity as was previously noted and quality assurance, control and systems have been tightened. A lot of competent members have been added to the team.

This whole process was oversighted by one consultant team which was working with us over six to nine months. Also, it was oversighted by a European consultant who was also giving us good inputs and training to our team. So, I think it's a good lesson for any company to learn. And we have done our bit, and we are really well positioned to see that these kinds of even suspicions don't arrive in the future.

Deepesh Sancheti

Right, so, you'll be engaged into an alternate CMO partner for Star Product 1 as a business continuity measure. How much revenue is currently routed through this alternate site, and what are the margin differentials versus in-house manufacturing?

Anwar Daud

Yeah, so at this moment, the partner has been selected, and I will ask Dr. Mainde to actually give you further details regarding this because at this moment, it's an investment issue for us, see that something like this does not disrupt our customers' requirements, and therefore, they're competent enough in the future. This is a strategic call.

Chandrashekhar Mainde

After this EU inspection outcome, in order to have a continuity of our business for the key product, we have shortlisted some partner and, as you are aware that there is a process of profiling and getting the variation approved. Now we had completed this big process and now we are going to apply soon for the variations of the manufacturing site. That will be the additional site to us. So, that will be a complimentary to our main site, and we will work with them. Revenue allocation as on date has not been finalized. But as on when we get the approval for this additional site, we will have figures and all these things.

Deepesh Sancheti

Okay. No. If you can tell me the margin differentials also?

Chandrashekhar Mainde

It is not fixed. It will be very marginal. It will not be significant as we are giving it to them. As per the international rules and regulations, we are paying them toll charges. That's all. It is our own product. We are only paying the toll manufacturing charges, not something product or licensing arrangement or this thing.

Anwar Daud

Those costs would not be – they would be marginally over and above the cost we incure at our own site. So. There's no significance in the margin within the material.

Deepesh Sancheti

So, in the event of a EU GMP reinstatement, I mean, the extensional H2 o FY27, what is the contingency plan to protect both revenues and the customer relationships in this regulated market?

Anwar Daud

In the regulated market?

Deepesh Sancheti

Yeah. In the event if this reinstatement extends to, let's say, H2 of FY27, so how will you protect your revenues and customer relation?

Anwar Daud

Well, The impact on these kinds of variations doesn't start accruing so fast. But, however, a strategic call will be taken in the future. It is a protection to the customers against disruption of supply, but addressing you know, more directly to the question that you have is how it will play out as far as our regulated business is there, but answer has already been given by finance director that the business will start

showing impact on our revenue in the Q4. In general, we have MAs from other regulated markets such as Australia, as you know. We've also been inspected by TGA Australia during this period. So, we are expecting a positive outcome for that as well.

Deepesh Sancheti

Right. Thank you so much, guys. Thank you, and all the very best.

Anwar Daud

Thank you.

Moderator

Thank you so much, sir. The next question comes from the line of Mr. Rupesh Tatiya from Long Equity Partners. Please go ahead, sir.

Rupesh Tatiya

Hello, sir. Thank you. Thank you for the opportunity. I am relatively new to the company, so I have some very basic questions. So please pardon me. Sir, first question is we have this 12 plus 5, 17 products in NIP plus OTF basket. Let's say if I take a 24-month view, is it fair to assume that all the products will be commercialized in, say, next 24 months? Is that a fair view?

Zain Daud
Yeah, that's a fair view.

Rupesh Tatiya

Okay. Okay. And between these 17, products, conservatively, on average, I can say INR 10 crore revenue per product in regulated markets? Is that a fair --

Zain Daud

That's a very average doubt assumption. Each of the product has different potentials and different kind of market sizes. So, to put a number to one product is difficult. And right now, we would not want to give out a general number for each of the product, but the upside is good. So, let's just wait and watch.

Rupesh Tatiya

I mean, is INR 10 crore widely understated, widely overstated? I mean, any --

Zain Daud

It is more complex than just I can't answer that in two words. But, if you go to our presentations previously and the earnings call, you'll get a better idea of this.

Rupesh Tatiya

I see. Okay. And when these 17 products get commercial in next 24 months, what should be, you know, market split between, let's say, regulated markets like EU, UK, Australia, and then the other sort of pharma emerging in ROW? Is it 50:50 a good assumption or it'll be more skewed?

Zain Daud

I think 50:50 would be the split between innovative products and our generic business. Innovative products are also being commercialized in ROW markets. So out of that, I think 30% should be regulated, 20% should come from the ROW markets.

Rupesh Tatiya

Okay. Okay. So, 50 will be innovative. Out of that 50, 30 will be regulated, 20 will be ROW and pharma emerging, okay.

Zain Daud

Approximately, this is what we are projecting right now.

Rupesh Tatiya

Okay. Okay. And sir, currently, I mean, we're in a investing phase in the business. Business is a bit subscale, but our gross margins are very healthy at 56%, but that doesn't waterfall to EBITDA margin. So, in next 24 to 36 months, is it fair to assume that we can reach, let's say, 20% margin if everything works out. If the ramp up works out, regulatory issues get sorted out, products scale up? Is 20% a good number from modeling perspective?

Zain Daud

Yeah. We are assuming, and we are projecting upper teens as our EBITDA margins once everything kind of starts going on in the regulated markets. So that's a fair assumption.

Rupesh Tatiya

Okay. Okay. And now when I look at the two slides, there are five products which are regulatory approved between NIP and OTF, but they have not started commercial supplies. So, when can we see some reasonable commercial supplies for these five products?

Zain Daud

So, like we said, our projection is Q4 of this year, because we'll, get our EU GMP back in the next two or three months. And after that, we'll process the orders, and we can ship out from January.

Rupesh Tatiya

Okay. That's clear. So, I have two more questions. So, one question, sir, is, see, for our company of our size, the R&D we are doing is outstanding. I mean, it's commendable, and I must congratulate you to, you know, stick with this because these pharma R&D cycles are a bit long, but now the company is going to change. Right? You going to go from an R&D organization to an operational execution organization. So, can I assume that you have done your planning well, and if the opportunity presents, we will execute properly with cost discipline, with on time supplies, with good quality. Can I assume that that the organization is ready from that perspective?

Zain Daud

Yeah. The organization is ready from that perspective, but we are still an R&D company. We will continue the hard work that we have been doing in R&D, and the credit goes to our technical director who has developed this kind of products. We do have a pipeline of some six more products that we have, which are going to be equally innovative. So, the R&D spend is going to be there, but as a percentage, it may be similar and in absolute value, it may reduce. Operationally, like we've told you, we have done quite a lot of hiring on senior levels. We've brought in three VPs and a president of international business to ensure that execution is done properly. So, we are confident that now we are in that execution phase and that disciplined execution should happen in the coming 24 months.

Rupesh Tatiya

Okay. That's clear. The final question is nutraceutical business did grew year on year. It went from, I think, 95 crore to 75 crore. So, what happened there, and how do you see this business panning out in over the next 24 months?

Zain Daud

So, see, this is basically our legacy nutra business, which we do in the Middle East, and a lot of the issue has been because of the geopolitical crisis going on right now. We look at a steady growth in this business over the coming 24 months. And if the issue that is going on in the Middle East gets resolved quicker, then we should be able to get back our business as well.

Rupesh Tatiya

Okay, but steady state is what? 10% type of growth?

Anwar Daud

Yeah, 10 to 15%, we will grow. That's a fair assumption. We'll try our best to grow that more, but , we have projected about 10% to 15% growth happening every year.

Rupesh Tatiya

Okay. And just final one more. Sir, for these 17 products, is there like some technology or some facility CapEx? What kind of CapEx would be needed when all these 17 products go commercial? Do we have all the facilities already or do we need to invest some more?

Zain Daud

No, we don't need to invest some more. We've already invested in a quite heavy CapEx cycle, and that is, almost near to completion. Only the last stages are left, so we don't anticipate any more CapEx for these 17 products to get commercialized.

Rupesh Tatiya

And these NIP products --

Moderator

Rupesh, sir, sorry to interrupt you. I would request you to --

Rupesh Tatiya

I'll come again in the queue, yeah.

Moderator

Thank you so much, sir. In the interest of time and for a fair chance for all the participants, we request the participants to restrict yourselves with one or two questions in the initial round and get back to the queue for more questions. The next question comes from the line of Mr. Heer Vashi from Altis Financial Partners. Please go ahead, sir.

Heer Vashi

Hello.

Anwar Daud

Yes.

Heer Vashi

Okay. So, my question is, INR 35 crore was raised via preferential allotment to Florintree Trinix LLP at 73.46 per share. Can you provide a deployment update how much has been utilized for which purposes and what is the timeline for the remainder?

Zain Daud

So, we have posted this on the exchanges exactly how this money is going to be divided. It's for three main projects. It is for a dedicated enzyme NIP suite for expanding our nutraceutical plant and for its CAPA. If you go on the exchange, you'll get a detailed note on where the money has been deployed.

Heer Vashi

Okay. And my second question is, the advisory board was constituted in March 2026. What is their specific role? Purely advisory, or do they influence business decisions?

Zain Daud

So, these are very seasoned people who have a lot of experience like you've seen in the presentation. Each of them has about 40+ plus years of experience. So, they are in a pure advisory role. They are not involved in day-to-day execution. They are advising the board and the chairman MD, and the senior people of the company to take the right decisions.

Heer Vashi

Okay, What milestones have they been assigned for the FY27?

Zain Daud

That is a bit strategic, and that is our internal strategy, which we are not ready to reveal right now. As time goes by, we keep on letting you know what happens. But you can see from their backgrounds where their expertise is and you'll understand what kind of role they are playing.

Heer Vashi

Okay. Thank you.

Moderator

Thank you, ma'am. The next question comes from the line of Shreya Chatterjee from Ageless Capital. Please go ahead, ma'am.

Shreya Chatterjee

Thank you for taking my question. I wanted to just understand that when you are, like, expecting a positive outcome from EU GMP, when do you expect everything to be cleared? If you could give the exact timeline, if everything gets cleared. And then what would be the NIP plus OTF revenue that you are expecting as a percentage of your total revenue in FY27 and FY28? Also, if you could just give a brief on what exact data quality remediation measures that you have filed in your final CAPA, that would be helpful.

Zain Daud

Okay. So, the first question is -- see, this is a process. They've inspected us. Now, they're going to give us an inspection report. After the inspection report, if they ask for a CAPA, we have to submit that CAPA, and we expect this process to be complete within the next two months. So, that's the rough timeline.

Your second question regarding the percentage of NIP and OTF, like I said, our aim is to reach to 50% of the business being coming from these innovative products and develop them RoW & Pharmerging markets. So that is what we are aiming at. In FY27, it's a bit difficult to know right now because as we told you, the first commercialization in developed markets is going to happen in Q4. So, if that goes well, then we are looking at a higher percentage than the current year.

And your third question in terms of CAPA, we've put a lot of measures, like, an e-log. I will ask our technical director to answer this a bit more in detail, what we have done to improve this.

Chandrashekhar Mainde

Going back to our last inspection, the main issue was the manual document. In order to give more confidence to the auditors and depend on the actual electronic data, we are already invested in the different system. That includes the environmental monitoring system from the German company. Then we have invested in the e-logbook that is eliminating the manual entries and manual logbook. So, this has given a lot of confidence to the auditors in our 4-7 May inspection. That's the main thing for this.

Shreya Chatterjee

Got it. And I wanted to understand a bit about the new anticoagulant product.

Moderator

Sorry to interrupt, Shreya.

Shreya Chatterjee

Just One last question. One last question. This was my second question.

So, on the anticoagulant product that you are launching, who is going to be marketing partner, and in which countries are you going to launch?

Zain Daud

Let me give this to our technical director again. He'll be the better one to answer this.

Chandrashekhar Mainde

See, we are in the process of finalizing our customers and all these things. This is a unique product and we received the approval in Italy via DCP procedure. So very soon, we will let you know about our partners on this thing in the Europe.

Shreya Chatterjee

Got it. And any CapEx plan for the next year,

Zain Daud

Which is required for this product to be covered. Right? We've already done that. Already done the CapEx for this.

Shreya Chatterjee

So, only maintenance CapEx?

Zain Daud

Yeah.

Shreya Chatterjee

Okay. Thank you.

Moderator

Thank you, sir. The next question comes from the line of Mr. Ankit Gupta from Bamboo Capital. Please go ahead, sir.

Ankit Gupta

Yeah. Thanks for the opportunity. Sir on the two blockbuster products that we were expecting to launch, you know, we are yet to receive the regulatory approval on the urology as well as on the gastrointestinal part, one for which we are also building a block. So, what is the status of those products, and when do you expect to receive approval and when is the expected launch date for the same? And have you also transferred this product to the contract manufacturing site in case the approval for our site gets delayed?

Zain Daud

So, one of these products, which is the urology product, we have transferred to an alternate site to secure our business. But the enzyme product is a very very high-end technology involved in producing it. For that, we have created our own block. As per the commercialization that's going to happen, like we told you for the gastrointestinal enzyme product, we expect commercialization may happen in Q4 if everything goes well and we should get the urology product approval also this year. So, we will keep stakeholders updated once we get that.

Ankit Gupta

Sure, sure. And the follow-up on the same, like for these two products, how do you see the scale up happening in FY28?

Zain Daud

In FY28, see, we have already signed agreements for these products. So, if everything goes well, FY28 should be the full year we will be able to enjoy commercialization from this in regulated markets. No number I would like to give right now, but FY28 should be a good year for both products.

Ankit Gupta

And just a follow-up on this. Can these products become a huge, let's say, as we were at least on the gastro for the enzyme product, can it scale up to a big number, let's say, 1500 crore plus in FY28?

Zain Daud

That is the plan because that's a unique product and very few companies have it. So that is our plan that we will be able to scale up to those numbers.

Ankit Gupta

And the EU GMP inspection also happened for this new block as well. Right? Like, so we didn't get the approval for the entire plant.

Zain Daud

No. We are in the process to do that for the new block. EU GMP has happened for the old block for which we had been audited in last June.

Ankit Gupta

Okay. Thank you so much.

Moderator

Thank you so much, sir. The next question comes from the line of Mr. Rohit Balakrishnan from ithought PMS. Please go-ahead sir.

Rohit Balakrishnan

Hello. Am I audible, sir?

Zain Daud

Yes.

Rohit Balakrishnan

Yeah. Hi. Good afternoon, sir. Congratulations on getting this CAPA and, I mean, moving forward on this whole EU GMP issue. All the best for what lies ahead.

So, sir, my question was on NIP. So, if I were to look at your NIP over the last maybe eight quarters, I mean, barring from Q1, Q2, we've been around at INR 16 - 17 crores kind of number. The Q1, Q2 numbers were low, like INR 5 crores, INR 8 crores. But apart from that, we've been doing around that INR 17 crores, 18 crores kind of number. So, is that a run rate that you would feel that given what we have today, this is like a sustainable run rate? And as newer products come in, as newer approvals come in, and as newer markets come in, especially regulated, this number shouldn't jump from here. But is this a run rate that assuming nothing comes right now, is it a sustainable run rate? Is that something that you would agree?

Zain Daud

Yeah. This is a sustainable run rate, and this is going to increase further because like we told you, we've now hired a president for international business who is looking after ROW and pharmerging markets. The registrations are coming in from a lot of other regions as well apart from regulated markets.

So, we expect this run rate to go up from here, but we will at least maintain this run rate. This will be the minimum what we're going to maintain going forward in the ROW and pharmerging markets. You know once regulated comes, this is going to change entirely. But for the pharmerging and ROW market, this is the run rate that we'll minimum maintain.

Rohit Balakrishnan

Right. And, sir, that's very heartening to hear. For the enzyme product, I think, the recent QIP was also for that. So, have we done whatever work was remaining? Because I'm seeing still some amount of money in capital work in progress. So, from our side, are we ready?

Zain Daud

So, see, this product can be manufactured in the current facility also, and we are planning to manufacture in the new facility also. So, the new facility is,looking at the scope of this product and the amount of sales we are looking at, we had created this new block to cater to the capacity that's going to be needed. But we are ready in our existing plant. Once we get EU GMP, we'll be able to manufacture this product here.

Rohit Balakrishnan

Okay. Understood. And from a base business point of view, sir, of course, this quarter, we saw some headwinds from Middle East. How do you see the base business now, I mean, given that the situation is still hazy. So how do you see this for the full year? Any view?

Zain Daud

This year, we have tried -- since the president has come on board, we have tried to kind of, hedge this as much as possible and tried to grow our business in other regions also. In FY27, even though these headwinds might continue, we expect that we'll be able to make up for this business from other regions and hopefully not be dependent entirely on the Middle East situation to resolve.

Rohit Balakrishnan

Got it. And last question on the finance cost and just generally the debt level. So, I think, should we take this, like, as a peak debt and, like, from here on using the cash flow, we should significantly reduce the debt?

Mr. Zulfiquar Kamal

This is Zulfiquar Kamal, the finance director. This is the borrowing. We are not in any plans to increase borrowings any further. And, we also have the prefer issue money, which will be utilized for the CapEx. So, this year, perhaps the borrowing will remain constant and similarly the finance cost will also remain same.

Rohit Balakrishnan

Okay. Got it, sir. All the very best, thanks, sir.

Moderator

Thank you sir, The next question comes from the line of Thwanil Desai from Turtle Capital. Please go ahead, sir. Mr, Thwanil Desai from Turtle Capital. Please go ahead with the question, sir.

Thwanil Desai

Yeah. So, the question is, sir, you know, I think in the earlier calls, we had talked about, you know, our NIP plus OTF, you know, at peak potential can go to 250, 300 odd crores. And you mentioned in the earlier answer that all the 17 products will be commercialized in next 24 months. So, is there a fair number to

look at, say, let's say, once the commercialization happens and then scale up? So, in next three years, reaching to that number, is that a fair assumption from our side?

Zain Daud

So, yeah, see, that's a fair assumption that once we get commercialized, the revenue is going to increase significantly. So, it's a fair assumption. And after these 17 products are commercialized, we will have a pipeline also of some other products, which we look to continue and get licensing fees from. So, this is going to be a cycle that's going to continue.

Thwanil Desai

No, that I got, sir. I just wanted to confirm that 250, 300 over next three years. That's the confirmation that I wanted.

Zain Daud

See, it's difficult to give an exact number. You would want to avoid that. That would be a very future looking statement.

Thwanil Desai

Got it. Sir, I mean, if you are completely off, you can guide. If not, then maybe I don't want exact numbers. But if you're completely off, you can probably say, no, that's, you know, way too much. Anything of that sort?

Zain Daud

It could be this. It could be this. It could be a lot higher, a lot lower. That's why I said it's a very future looking statement. So, I think you want to avoid giving guidance on this.

Thwanil Desai

Got it. And sir, second question on pancreatin. I think that product used to be in shortage in Europe, you know, a while ago. And then, you know, the three inspection and everything probably will push the launch, you know, by a few quarters. So, what is the current situation on that? And do we expect that to kind of the shortage to continue in the time frame, which we will be able to commercialize this product if you can advise on that?

Zain Daud

See, as far as we know and what we've heard from our customers, the shortage is going to continue. We can at least, look to commercialize this in Q4. Until then, the shortage is going to continue. Beyond that,

it's very difficult for anybody to comment whether the shortage will continue. But we are looking to capitalize it as soon as possible. We are ready. We just need our EU GMP, and we'll be ready to commercialize this.

Thwanil Desai

Got it. That's it from my side.

Moderator

Thank you so much, sir. The next question comes from the line of Mr. Vishal, an individual investor. Please go ahead,

Mr. Vishal

Hello, am I audible?

Zain Daud

Yes. You are audible, sir.

Mr. Vishal

So, generally, what we have seen is whenever EU GMP or US FDA audits are completed, the notifications which are given by the company to the exchanges is with regard to whether the audit has been completed as clear or minor observations has been made on major or critical because all these things are being discussed at the time of exit meeting. But the clarification what company has submitted to the exchanges are very ambiguous. We cannot infer whether it has been cleared or there are minor, major, or critical observations. So just wanted to understand and have more clarity from your side.

Zain Daud

Yeah. See, we deliberately did not give any observations because this closing meeting is usually an informal meeting. It's not a formal minuted meeting that can be taken on record. We will get the report from them in a month. Once the report comes, then we'll be able to share with you because we'll have something in writing. Till then, we cannot comment because a lot of the time, many of these observations are clubbed together or they are removed from what they tell us in the closing meeting.

So till we get something on paper, we'd want to avoid giving stakeholders any information about that. What we were sure of was we told you that the inspection happened, the closing meeting was positive. Now let's wait for the inspection report to go ahead and see what happens.

Mr. Vishal

So, at least can we get an assurance that there would not be any critical observations which would lead to, again, you know, kind of

Anwar Daud

I would feel so.. Because, first of all, the inspection continued for the complete duration. The suggestion, the findings all pointed towards very positive improvements as noted by the auditors during the inspection as compared to the last visit. And in general, as we have already explained that the audit was positive that their findings were very positive, there were observation for sure. As the auditors have not explained in detail what their findings are actually going to be by clubbing together some observations or removing some observations or just classifying all these observations and recommendations.

In this audit, it's our duty to reflect and transfer to all stakeholders what the meeting consisted of; the proceeding of the meeting. I think we have been able to commit it very truthfully and to, you know, kind of being a spokesman of the auditors and then to find that, what they said and then they went back and they sat, how they would classify on these observations because they did not classify them during the wrap up meeting. In spite of the positivity, we are also unable to, you know, kind of give words to what they tell in terms of major, minor, or critical. I'm sure there is no critical because the audit went positive. So, that's our assumption that there's no critical.

Mr. Vishal

Yes, sir. That's only the suggestion from my side, sir. I mean, the company had been maintaining the higher standards of transparency, and we had been with the company for the last eight, nine months during this tough period also, and we would like to continue. But only thing is what stakeholders and shareholders request is the utmost transparency which the company has been maintaining. Thank you for the clarification.

Anwar Daud

Thank you very much for that, means a lot to us.

Moderator:

Thank you so much, sir. The next question comes from the line of Jasmeen Kaur from Fortuna. Please go ahead.

Jasmeen Kaur

Yes. Good afternoon, everyone. Thank you for the opportunity. Sir, I'm on this CAPA remediation slide where I think you've reported that there is registration of projects in alternate markets and launch of Star

Product 1 in alternate market. Sir, specifically, in Q4 and Q1 terms, which are the alternate markets that you have tapped? If you can give a little more specific detail on this.

Zain Daud

See, we are looking at all the ROW and pharmerging markets, which are there. CIS, Latin America, Middle East, Australia also we can launch it because the alternate site is TGA approved. So, these are the markets we are looking at. Other than that, I think we've also mentioned that we are going to go with alternate sites. I think you must have also read that alternate sites are being done for products to be able to supply to alternate market.

So, there are these couple of, alternate sites where couple of products have been transferred, and we are, looking to supply from there.

Jasmeen Kaur

Okay. Sir, the Australia market, I think this approval came sometime back. So, has some revenue started flowing in from there?

Zain Daud

No, revenue hasn't started flowing in from there because after we got the MA, the EU GMP inspection; the last year inspection happened and we were under remediation, our Australian approval was based on EU GMP certificate. So once that went in noncompliance, we're not able to supply. Once, we get EU GMP back, we are positive we'll be able to supply again.

Jasmeen Kaur

Sure. Okay.

Zain Daud

Yeah. So, I think dr Daud was mentioning that TGA audit also took place. So, separately, we are positive on the fact that we'll get TGA accreditation as well.

Anwar Daud
So, we'll be able to start our supply from our own site in addition to having alternate site where we can contract manufacture if we ever have capacity constraints or if we may miss to supply from our site.

Jasmeen Kaur

Okay. Sir, when you report the NIP-OTF percentage sales, so, there is another head on licensing fees that you provide, which I think in Q4 is substantially lower, and I think in Q3, it was also not there. So, is that also something that we will start seeing flowing in once the EU GMP certification is in place?

Zain Daud

Yes. You're correct. This is going to start flowing in once the EU GMP certification is in process because there are milestones to these, which are, basically linked to having the EU GMP, like, the submission of the dossier, the marketing authorization being received. And all this had stopped because we didn't have EU. Now that we will get the EU back, we'll get those milestones back, and this should also start flowing in.

Jasmeen Kaur

Okay. Great. Sir, And also --

Moderator

Sorry to interrupt ma'am. I would request you to join back the queue.

Jasmeen Kaur

Sure. Sure. Thank you.

Moderator

Dear participants, in the interest of the time, we request you to restrict with one question. And if time permits, we request you to join back the queue for more questions. The next question comes from the line of Mr. Rohit Suresh from Samatva Investments. Please go ahead, sir.

Rohit Suresh

Good afternoon, sir. Sir, I have a couple of questions. The first question is why the domestic revenues decreased YoY and how do you see the revenues going forward? And second, a bookkeeping was, what has been the one off in the other income in Q4?

Zain Daud

Yeah, so first question, I'll answer. The second question, I'll defer to the finance director. See, the domestic business has decreased because there were some institutional business tenders, which we did not get. As you know, this tender is a one zero situation, and sometimes you don't get the tender even if you quote the best price. But alternatively, what we are doing is now we are marketing our NIP and OTF also in India.

So, we are trying to build up a private business as well. That will help. And going forward, we don't see that this should continue. We see that this will stabilize, rather, on an increasing path. And for your second question, I'll defer to the finance director.

Mr. Zulfiquar Kamal

So, the other income includes two parts. One is the revenue income and incentive and forex gain.

Rohit Suresh

Understood. So just on the institutional part, how much would that be of total domestic revenues?

Moderator

I'm sorry to interrupt you. I would request you to join back the queue for further questions, sir. Thank you.

Rohit Suresh

Thanks.

Moderator

Thank you, sir. The next question comes from the line of Mr. Madhur Rathi from Counter Cyclical Investments. Please go ahead, sir.

Madhur Rathi

Sir, thank you for the opportunity. Sir, if I were to look at FY27 on an overall basis, considering the alternate size that we have scheduled for production, our domestic business, our base business, sir, what kind of growth should we expect and what kind of margins should we expect with this CAPA remediation cost going down? So conservatively, what kind of revenue growth and margins can we expect for this year?

Mr. Zulfiquar Kamal

For the coming year, we have already explained you that the future guidance here, as of now, we are not giving. The guidance will be around same as of in the H1, a little bit increase will be there. But after getting EU GMP, definitely the guidance will be increased. It will be reported to you in the disclosing post that. And number two, the margins definitely, there will be an improvement because of the diversified other market sales opportunity, in which revenue will come from. So, it will be more on the mid teen side, and this is what we are projecting for the next year , Once we get CAPA and Q4 comes.

Madhur Rathi

Right. Sir, but if I consider our revenue, CAPA shouldn't matter. Right? Because CAPA is going to -- whatever revenue that will come from the EU GMP approval, our site will start in Q4. As of now, sir, that shouldn't be considered. So currently, as of now where we are standing, where do we see our base? The base business growing as well as the NIP plus OTF business growing conservatively for this year?

Mr. Zulfiquar Kamal

Yeah. What you have said is right. The base business and the NIP business and the percentage will definately be growing in the current year. And post remediation and getting EU in the fourth quarter, it will increase. We'll give you the guidance for H1 somewhere in the next quarter.

Madhur Rathi

Okay, Sir. Sir, thank you so much. That was from mine and all the best.

Mr. Zulfiquar Kamal

Thank you.

Moderator

Thank you so much, sir. The next question comes from the line of Mr. Ashwin Reddy from Samatva Investments. Please go ahead, sir.

Ashwin Reddy

Yeah. Hi. Good afternoon, sir. So, first question is on the NIP plus ODF. Now, we were counting on the growth in the rest of the world market, right? I mean, without even considering the EU growth, now there will be a slowdown there, what would be the reason for the slowdown in the NIP plus ODF in the nonregulated markets.

Zain Daud

So, this has been a gestation period. FY26, basically, we have filed a lot of dossiers in all countries. And usually, these dossiers take about 1 year to 18 months to come through. So, FY27 will be the year where a lot of these dossiers are going to come through, and we'll get revenue from other markets also. So, the formulation business will grow for NIP and OTF from other markets.

Ashwin Reddy

You're saying that the growth from the NIP and ODF or the growth in FY27 will not be much, then considering even if you don't get the EU GMP or if it is delayed, that should not affect the growth, right? Shouldn't we grow from where we are today, FY27?

Zain Daud

We are projecting our growth in NIP and OTF this year. Even despite the EU GMP, we are projecting a growth because we expect a lot of filings to come through.

Ashwin Reddy

Got it. And my second question is on, if you go back in time in the last five years, so whatever work we've done on the ODF, I wanted to know what the traction has been there. I mean, is it, resulting in meaningful growth in terms of the oral thin films segment? Because even when I see the filings and even in the approvals what we've been getting, the number looks good, but what is that translated to revenues in the last three, four, five years?

Zain Daud

It's grown steadily, but now we are at an inflection point when it comes to OTF. You must have read about the Middle East partnership that we did. So, with OTF, we are seeing that people are interested in this kind of new technology, and a lot of local manufacturing is being promoted. So, with this, we expect this year a lot of revenue to come through for OTF because a lot of partners have put in stake into this technology and are marketing on their own. So, this was what was needed, somebody to champion this product and now that this is happening, we expect that this year should be meaningful growth in the OTF segment.

Ashwin Reddy

And when you say meaningful, what numbers we're looking at for the OTF segment for this year? I mean, some quantum would be helpful for us to track better. In FY27, what number would be a good number for you?

Zain Daud

Yeah, we are still in the first quarter. I think by H1, we'll be able to give you a better picture.

Ashwin Reddy

Okay. All right. Got it. Thank you so much.

Anwar Daud

Thank you.

Moderator

Thank you, sir. We have a follow-up question from Mr. Rupesh Tatiya from Long Equity Partners. Please go ahead, sir.

Rupesh Tatiya

Thank you. Thank you for follow-up, sir. These 12 products, NIP products, everything is oral, or are there some injectables in there?

Zain Daud

No. Let me just defer this session to the technical director.

Chandrashekhar Mainde

Most of our products are in the oral. Sorry, we are not in the injectable segment at present.

Rupesh Tatiya

And the second site, when can we expect the EU GMP approval, and what kind of dependence do we have on that site for next, let's say, 24 to 36 months?

Zain Daud

So, like we answered, in the next two to three months, we are going to see EU GMP come in. In terms of dependence, there's quite a lot of dependence because all of the regulated market revenue is going to come from, EU and EU being one of the bigger markets, we need the EU GMP. So, there is a dependence there.

Rupesh Tatiya

No. I was asking about the other site. You said (indiscernible)

Zain Daud

There will be growth without EU as well. But if you see in terms of regulated markets purely, then we need to add the EU GMP.

Rupesh Tatiya

Okay. Thank you.

Moderator

Thank you, sir. In the interest of time, that will be the last question for the day. Now I hand over the floor to the management for the closing comments.

Anwar Daud

So, thank you very much for this opportunity to present our earnings call and thank you for all the support in the last few months. It's been a good period for us to learn and work for the future. We hope to continue this transparency and good relationship with all our stakeholders in the future as well. Thank you once again. Have a good day to all.

Moderator

Thank you so much, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call services. You may now disconnect your lines now. Thank you and have a pleasant day.

Note:

1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.