“Zim Laboratories Limited Q2 and H1 FY '27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Zim Laboratories Limited Q2 and H1 FY '27 Earnings Conference Call hosted by Go India Advisors LLP.

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 '*', then '0' on your touchtone phone. Please note that this call is being recorded.

I now hand the conference over to Ms. Deepika Sharma from Go India Advisors LLP. Thank you and over to you.

Deepika Sharma: Thank you. Good morning, everyone and welcome to the Q2 and H1 FY '27 Earnings Call of Zim Laboratories Limited.

We have on the call Dr. Anwar Daud - Chairman and Managing Director; Mr. Chandrashekhar Mainde - Technical Director; Mr. Shyam Mohan Patro - Chief Financial Officer; Mr. Zulfiquar Kamal - Director Finance; Mr. Zain Daud - Investor Relations.

We must remind you that 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 financial and the business outlook subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

Dr. Anwar Daud: Thank you, Deepika and good morning, everyone. This is Anwar Daud - Managing Director speaking. A warm welcome to all participants joining us for Zim Laboratories Limited's Earnings Conference Call for the 2nd Quarter and Half Year Ended September 30, 2026. I hope you have had the opportunity to review our financial results and the accompanying investor presentation available on the stock exchanges.

Before discussing our business performance, let me begin with an update on our EU-GMP remediation and CAPA process which continues to remain our highest strategic priority.

As you are aware, our Nagpur manufacturing facility underwent a re-inspection by the German and Portuguese regulatory authorities as a joint team in May 2026. Since then, we have continued our engagement with the regulatory authorities and have made substantial progress towards completing the remediation process. We have received the draft of the final report and are currently awaiting the signed final inspection and based on our recent discussions, expect to receive it shortly. Meanwhile, our corrective and preventive action response prepared based on the observations shared in the draft final report have been submitted to the EU authorities as a proactive measure and has also been shared with the inspectors. Authorities will subsequently review our submission before proceeding with the certification process. Further to that, final

clarifications for complete acceptance of the CAPA plan and the action taken have been shared by the authorities and are under process to be responded in the next few days.

In addition, I am happy to share that we have received a letter from the TGA Australia, this is an important milestone that opens up the Australian market for us and has started receiving orders and enquiries from there as well. We believe meaningful progress has been made and remain confident in the efforts undertaken by our team. We will continue to keep all stakeholders appropriately informed as further development unfolds. At Zim, our focus remains on strengthening our capabilities, maintaining regulatory compliance and positioning ourselves as a future-ready organization. Over the past year, we have made substantial investments in strengthening our quality systems, manufacturing processes and overall compliance infrastructure.

We have modernized two of our facilities, the Nutraceutical and the Cephalosporin facilities with new setups. In parallel, we have strengthened our senior leadership team across key functions including quality assurance, international business development, human resources and procurement. These initiatives have contributed to higher employee costs along with increased utility expenses and consulting costs associated with the final phase of the EU-GMP remediation process. Our plans, processes and people have been set up for commercial entry of products into the EU, UK, Australia and other developed markets. However, pending the EU-GMP recertification, our business has largely been limited to ROW and emerging markets which has meant that these assets remain underleverage relative to the investments made. While these investments have impacted our operating margins over the past few quarters, we believe they were necessary to build a strong operational foundation and prepare the organization for its next phase of growth. Going forward, our focus will be on improving operating efficiencies and leveraging these strengthened capabilities as business volumes increase.

To this end, we have started the new CEPHA plant, a structured cost optimization and de-risking initiative to right-size our cost base, which includes easing operations at our old CEPHA units. We have also taken Unit-3 and ancillary units supporting the Nutra manufacturing out of use and shifted operations to the new Nutraceutical facility, which will help us save costs due to increased automation and capacity. Further, the EU-GMP consultant fees and certain one-time separation costs incurred in the first half are not expected to fully recur in the second half as we execute these cost rationalization efforts.

Let me now turn to our business performance for the quarter ended September ’26:

I am pleased to share that Q2 Financial Year 27 was a better quarter for us compared to Q1, both in terms of revenue and operating profitability with total operating income growing 12% sequentially and EBITDA more than doubling over the previous quarter. We are seeing encouraging signs of recovery across our business. The improvement was largely driven by a better performance in our new innovative products, NIP and Oral Thin Film segments and also

improvements in our legacy business. Our continued focus on R&D product development is beginning to reflect in the performance of these businesses. At the same time, our core pharmaceutical business continues to demonstrate resilience. Despite the ongoing regulatory transition and global uncertainty, we remain committed to fulfilling customer requirements with our pharmaceutical business contributing approximately Rs. 830 million or 79% of the total operating income during the quarter. For the first half, pharmaceutical revenue grew by 16% year-on-year while our Nutraceutical business grew 58% year-on-year. Overall, despite the regulatory transition and external market challenges, we are beginning to see encouraging signs of recovery. We remain focused on sustaining this momentum through the coming quarters.

Coming to our New Innovative Products and Oral Thin Films portfolio:

These businesses continue to be important drivers of our long-term growth strategy. As discussed during our previous earnings call, the contribution from this portfolio has returned to a more normalized level in Q1 FY '27. During Q2, we witnessed an improvement in performance with NIP and OTF revenue growing 84% year-on-year to Rs. 149 million, taking its contribution to 14% of the total operating income from 9% in Q2 Financial Year ‘26. Including dossier licensing fees, the contribution of our innovative products increased to 16% of total operating income. For the first half, this contribution including license income stood at Rs. 337 million compared to Rs. 200 million in H1 FY '26, an increase of 68%.

On the regulatory front, we received four marketing authorizations during the quarter, one for an NIP product and three for OTF products, and we have 48 filings across Pharmerging and ROW markets. Our NIP pipeline for the EU and UK comprises 12 products across 7 therapy areas, while our OTF pipeline comprises 5 products across 3 therapy areas. Three NIP products are at the end of procedure stage in the EU. In addition, we are awaiting EU-GMP certification for completion of the market authorization grant process. As highlighted earlier, certain opportunities in regulated markets remain linked to the reinstatement of EU-GMP certification. We believe successful completion of this process will help generate commercialization and strengthen the contribution of our innovation-led portfolio over the coming years. Our established customer relationships and diversified product offerings continue to provide stability to the business, particularly during the ongoing regulatory transition. Going forward, we remain focused on strengthening customer engagement, improving operational efficiencies, and expanding our presence across existing markets.

Our international business development team, now supported by dedicated regional leadership, continues to focus on strengthening relationships in existing markets while developing opportunities across new geographies. We believe this strengthened structure will support our international business initiatives over the coming quarter, and we will continue to see the kind of progress year-on-year which is already evident in the last two quarters' performance. Looking ahead, we remain cautiously optimistic about the second half of Financial Year ‘27. We believe

a leaner cost base, combined with widening access to developed markets, positions well for improved operating leverage in H2 FY '27.

Our immediate priority continues to be the successful completion of the EU-GMP regulatory review statement process, which remains an important milestone for the company. Alongside this, we remain focused on sustaining growth in our legacy pharmaceutical business, increasing the contribution from our NIP and OTF portfolio, strengthening our international presence, and improving operating profitability. As highlighted previously, Financial Year '27 remains an important transition year for Zim Laboratories with the investment undertaken in compliant infrastructure and organizational capabilities. We believe the company is better positioned to capitalize on future opportunities. While regulatory timelines and geopolitical developments remain external factors, we remain confident in the underlying strength of our business and its long-term growth potential.

With that, I will hand over to our Chief Financial Officer, Mr. Shyam Patro, who will take you through the financial performance for the 2nd Quarter and first half of 27. Over to you, Shyam.

Shyam Mohan Patro: Thank you, Dr. Daud. Good morning, everyone. Let me take you through the financial highlights for the 2nd Quarter and half-year ended on 30th September 2026. Of course, the detailed financial results and the investor presentation are available in the Stock Exchange, I would request investors to refer to them alongside my remarks.

For Quarter 2, Financial Year '27, the company reported total operating income of approximately Rs. 1,054 million, representing a year-on-year growth of 19% and sequential growth of 12%. EBITDA for the quarter stood at approximately Rs. 77 million, translating to an EBITDA margin of 7.3% compared to Rs. 34 million and a margin of 3.7% in quarter 1, 2027, an improvement of 365 basis points, driven by better topline performance. On the year-on-year basis, EBITDA is broadly flat compared to Rs. 78 million in Quarter 2 FY '26, with margins lower owing to cost-based set-up for the new businesses. The net loss for the quarter narrowed to Rs. 21 million, compared to net loss of Rs. 40 million in the preceding quarter, an improvement of Rs. 19 million. Higher depreciation and finance costs are the direct outcomes of the investment now in place to support our next phase of scale-up.

The export contributes approximately 86% of the total operating income during the quarter, while our NIP and OTF portfolio generated revenue of approximately Rs. 149 million, accounting to 14% of total operating income, or 16%, including dossier license fees. For the first half FY '27, the operating income stood at approximately Rs. 1,996 million, representing a year-on-year growth of 24%. EBITDA for H1 FY '27 stood at Rs. 111 million, with an EBITDA margin of 5.6%, compared to 8.4% in H1 last year. Profit before tax stood at net loss of Rs. 61 million, compared to loss of Rs. 23 million in the corresponding period last year. Total operating expenses for H1 FY '27 increased by approximately Rs. 208 million, year-on-year basis to Rs. 929 million. This was primarily on account of higher employee costs of Rs. 131 million,

including new hirings and contract lending, and higher operating expenses of Rs. 17 million, mainly due to power and fuel, repair and maintenance, laboratories, audit, legal and professional fees.

Moving to balance sheet, the total debt stood at approximately Rs. 1,462 million as of 30th September 2026, comprising a term loan of Rs. 841 million, working capital loan of Rs. 621 million. The increase in term loan from Rs. 607 million at the end of FY '26 reflects our capital investments, with gross block increasing to Rs. 4,188 million from Rs. 3,862 million. We continue to focus on improving working capital efficiency, strengthening operating cash flows, and maintaining a disciplined approach to leverage. During the first year, we invested approximately Rs. 182 million towards R&D and related initiatives, including product registration and regulatory activities. For Q2 FY '27, our total R&D allocation stood at Rs. 99 million, or 9.4% of total operating income, which includes Rs. 45 million towards bi-equivalent studies and regulatory filings. These investments remain aligned with long-term business priorities. Overall, we remain focused on improving financial efficiency, strengthening cash flows, and maintaining disciplined capital allocation.

With that, I would like to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take the first question from the line of Anil Desai from Turtle. Please go ahead.

Anil Desai: Hi, Good morning everyone, my first question is on EU-GMP progress and the steps that you talked about, I think we were expecting that according to the timeline in what we discussed in Q1. By Q4, we should be able to through with the process and may be supplies may start to new in Q4 FY '27 and then full fledge in FY '28. So, with the current regulatory part that is happening, are we still on track for that and next year, we were expecting 35%-40% growth and even if I assume 10% base which has growth which we were targeting, then again EU has to contribute around Rs. 150 odd crores or at least Rs. 120-Rs. 130 odd crores from that. So, with our star products and few of the other NIP, OTF which are already approved, do we think we have the order visibility or demand visibility for that kind of a number?

Dr. Anwar Daud: You are right. We have the demand visibility and very keen interest from our partners. And as I already spoke about, we are in the last stages of even clarifying the reactions the authorities have through their compiled report, the final draft report that has come to us. And we have received reactions which do not warrant any further work. They require further clarification and a little more documentation, which are in the process of preparation. And within a few days, we will be responding with our set of documents on the clarifications that are being asked for. So, I believe we are almost at the end of this process. Regarding, you are right that the commitment that has been informally received from some authorities, including UK, is that if in principle acceptance of the CAPA is there, there would be no challenge in proving at least confirmation for supplies to start from Zim Laboratories Limited to some of these territories. As I spoke about TGA in

Australia, we have already received the first small test market order from Australia. And the process seems to have started for the Australian market as well. So, that is the comment we want to make at this moment.

Anil Desai: In H1, we did very good growth. And I think probably we are expecting Rs. 415-Rs. 425 odd crores for the full year this year. But it looks like that we may be able to overshoot that and I think in the last call, it was mentioned that we may look at the number for FY '27 post H1. So, do we think that we are on course to do Rs. 450 odd crores? And then on top of that, maybe we will be able to grow that 30%-35% next year?

Zain Daud: So, I think that is right. We are looking at Rs. 415-Rs. 420 crores as the target. We will grow definitely if EU comes and we get the EU orders in, we can put in more Rs. 30-Rs. 40 crores. So, we can look at Rs. 450-Rs. 460 crores as what we will end at.

Anil Desai: So, without EU, you think that we will be at Rs. 415-Rs. 420 odd crores? Because that means H2 will be a flattest number, not much growth there because we are already at Rs. 415 odd crores on a TTM basis?

Zain Daud: So, you are right, we are looking at Rs. 420-Rs. 425 as it is. If we add EU to that, then we will add Rs. 30-Rs. 40 crores more which we can supply. H2 will grow definitely, but it will grow at a 10% base of what H1 was.

Dr. Anwar Daud: To add to that, the situation is good. The business development team has reorganized with all these people coming in. This team's performance is more **(Inaudible) 22.24**. So, a lot of registrations are coming in and I think we are unable to project the positive gains we would make going forward with this team. But the last 2 quarters have shown that the team can perform well. So, we are hopeful, as you pointed out, we are hopeful of being able to surpass the targets that we have chosen during the projections we have been providing to you. But at this moment, we are not able to give you the numbers.

Anil Desai: No worries.

Dr. Anwar Daud: Because the situation is very clear. On one side, good performance from our international business development team. On the other side, there is a lack of surety on how the global uncertainty due to the war in the Middle East has been stabilizing.

Anil Desai: Got it, sir. And sir, last question on the margin side. So, I think we have done very well on the gross margin side. I think again, 57%-58% range that we have maintained. And you also indicated that some costs which have come up over last 18 months for the EU-GMP consultation and remediation part of it, which probably may not repeat. So, is it fair to assume that a large part of that 18-month cost that you talked about in the presentation has come in the current year? And hence, next year, that cost will go away while we will continue to improve gross margin with the new business ramping up. Are these both assumptions accurate?

Zain Daud: Yes, this is accurate. Obviously, we will improve on gross margin once the EU comes. On talking about the expenses, like you said, a lot of the expenses have been done for EU. A lot of it has also been capitalized because it has been infrastructure and systems we have put in for the EU-GMP remediation. There are a lot of consultant costs and one-time expenses which we have to do in terms of OPEX, which you are right, will not repeat going forward in H2 also and next year. So, we are looking to be a bit leaner on that part.

Anil Desai: Got it, sir. Very clear, thank you. And I have more questions and I will come back in the queue.

Zain Daud: Yes.

Moderator: Thank you. Next question is from the line of Dhyey Naik from Neeyovan. Please go ahead.

Dhyey Naik: Hello, sir. So, what is the current status of the CAPA process and have the European regulatory authorities raised any further observations?

Dr. Anwar Daud: Yes. I just spoke about their response where they have asked for some clarification and pending these clarifications, they have stated that once these clarifications are satisfactorily addressed, they would be accepting the CAPA and the action taken on the major points. Once these are addressed and we are in the process of addressing these clarifications through a response in the next few days.

Dhyey Naik: And the export revenue grew approximately 25% year-on-year in Q2 FY '27. So, which geographies were the key contributors?

Zain Daud: So, see, like I said, our formulations and international business development team that is putting in the effort, we have grown equally in all of the regions. LATAM has been a good growth for us. We have grown in Southeast Asia and we are developing new regions in Middle East and Africa also. All of these regions have contributed almost equally to the growth.

Dhyey Naik: And how is the legacy business performing and what is the management outlook for H2 FY '27?

Zain Daud: The legacy business is steady. There are some geopolitical uncertainties due to the Middle East situation, but we feel like we will achieve our target and we will have a growth of about 15%-20% on the H1 number.

Dhyey Naik: And following the TGA GMP certification in Australia, when can we expect commercial supplies and meaningful revenue contributions?

Zain Daud: So, commercial supplies should happen in this quarter that is Q3. Meaningful revenue will start coming in from Q4 and FY '28 once we get repeat orders.

Dhyey Naik: And one last question.

Moderator: Thank you. I request you to rejoin the queue, please, as we have participants waiting for their turn. Thank you. Next question is from the line of Poojit Agarwal, an Individual Investor. Please go ahead.

Poojit Agarwal: Hello. Am I audible?

Zain Daud: Yes.

Moderator: Please go ahead.

Poojit Agarwal: Hi. So, basically, I just wanted an understanding from my perspective. My assumption is that from 2028 till 2030, we can compound our revenues by 20%-25%. So, I just wanted an understanding from the management team regarding the product bandwidth and the manufacturing capacity. Do you think this is realistically possible in the current infra and the product pipeline that we hold? I just wanted some clarity regarding that vision for 2030.

Zain Daud: Yes. So, thanks, Poojit, for the question. I think looking at the CAPEX investment we have already made, about Rs. 200 crores and the dedicated Pancreatin suite that we have now and shifting Nutraceutical operations to a new facility, I think we are geared up for doing the revenue and the business that is going to come in. We feel that we don't need to do substantial CAPEX to complete all of the orders that will come in till 2030. I think we may need to do some operational CAPEX, which comes with the business as pharma is to upgrade some of the machinery if it comes, but nothing substantial is needed. And we are operating at a capacity right now where we have a lot of room to grow with well-planned and well-executed forecasts. We believe that we are on track to achieve what we had envisioned for FY '30.

Poojit Agarwal: Got it. And a follow-up question on that. I just wanted some clarity. So, let us say, like, if we genuinely do a revenue growth of 20%-25% compounded, we reach a revenue figure of, let us say, around Rs. 700 odd crores. And I wanted some understanding regarding the EBITDA conversion from incremental revenue. So, like, currently, we are operating incrementally, we are seeing around Rs. 250 odd crore revenue, if I consider Rs. 450 odd crores number. So, I wanted to understand what would the incremental EBITDA flow be?

Zain Daud: So, see, we are right now operating at, obviously, you saw about 8% EBITDA margin, which is not ideal for us. But once we reach a revenue target, like you said, let us assume we need somewhere around Rs. 700 crores, we would be at an EBITDA margin of 18%-20%. Because most of our operating costs will be covered. Right now, we are just looking for the operating leverage to kick in. Once that happens beyond a certain revenue point, we are definite to reach high teens in the EBITDA.

Poojit Agarwal: Got it. Thank you so much. Wishing you all the best.

Zain Daud: Thank you, Poojit.

Moderator: Thank you. Next question is from the line of Akshay Darji from Self Shine Industries. Please go ahead.

Akshay Darji: Good morning. My question is on EU-GMP approval. When do you expect to receive the EU-GMP approval and what are the remaining steps?

Dr. Anwar Daud: Yes, once we provide the clarifications on the first proactive letter received on the CAPA and action taken from the authorities, which is in our possession now. So, in a couple of days, this information would go. In this letter, the authorities have indicated that their acceptance of the CAPA and the action taken on the major points raised by them during the audit up to 90%. And they have shown that acceptance and some clarifications are being answered in a couple of days. I think after that, of course, there is going to be a time gap, but their acceptance of the entire action taken report of the major points is itself a milestone and a trigger point for the UK approval to start, which is where we think that the informal commitment is that we could start supplying to the UK if the CAPA and the action taken on the major point is acceptable to the authorities. So, the milestone is not getting the EU-GMP back. The first milestone is getting the acceptance. Secondly, the EU-GMP, once they give this process, then it depends upon the letter which is written to EMA. And the next meeting that the EMA has, they meet once in every 2 months or 1-1/2 months. And once this is taken in their agenda, we would get our GMP certificate. So, the moment this acceptance is there, then it is a matter of time. Probably, the process of execution would start pending the GMP certificate because most of the impact, all the partners that we have are very optimistic about being able to, the orders are there with us and the forecasts are there with us. And they have been following up with a lot of enthusiasm on when the supplies could start. Hope this clarifies.

Akshay Darji: So, expected timeline will be 1 or 1-1/2 months, we can expect?

Dr. Anwar Daud: Yes. That is a reasonable timeline. But as you can see, we were expected in May and received the first official draft report only a month back. So, it all depends upon the authorities. Expectation is 1 to 1-1/2 months. You are right.

Akshay Darji: My next question is on EBITDA margin. Like, it has been improved in quarter 1, but still remains under pressure year-on-year. So, when do we expect margin to return to the previous level?

Zain Daud: So, like I said, the operating average has to kick in. For that, I think we have to cross Rs. 430-Rs. 440 crores to return to the previous level. Once we go beyond that, we cover our operating costs and reach a point where any incremental revenue adds to EBITDA margins. So, above Rs. 450 crores, we will have increase of EBITDA margin kind of sequentially with the revenue. So, I think once next year, we will definitely reach a normalized EBITDA margin.

Moderator: Akshay, I request you to join back the queue, please. Thank you. Next question is from the line of Rohit from ithought PMS. Please go ahead.

Rohit: Good morning, everybody. So, just a couple of questions. Sir, you mentioned, I think in the presentation also, we have talked about closing some old plants and in general, trying to get to a linear cost base. So, in both quarters, we are around below gross margin cost of about Rs. 50-Rs. 52 crores. So, how should you look at the cost given there is expected growth also? So, how do you see this cost sort of coming in the H2 and then beyond? You have said that there are some one-time costs, etc., which may not be there. At the same time, there are some costs which are capitalized, which may come. So, if you can maybe share that and also on the finance costs, if we are at probably the peak of that in terms of debt and everything. So, if we can maybe? That is my first question?

Zulfiquar Kamal: Yes. Good morning. This is Zulfiquar Kamal, Director Finance. So, regarding the cost point, as we have seen in the presentation what we have given. The average run rate on H1 was around Rs. 13 crores per month, which has increased to around Rs. 15.5 crores in this H1 FY '27. This is mainly due to the increased hiring cost, as mentioned by the MD in his presentation at the top level. The additional CAPEX related the two projects. What has been mentioned, the Nutra project and the CEPHA project, were under the validation stage and there had to be some increased hiring for that and started operations on that project. And the third was due to repetition one-time expenses. So, as far as the stabilizing of the run rate going forward, it will be around Rs. 15 crores due to one-time expenses, which will be reduced, which is around Rs. 5.5 crores in this H1. So, one-time expenditure, if we did that, due to remediation expenses and other expenses on consultation fees, the run rate will be reduced to around Rs. 15 crores per month going forward. So, this is on the cost part. I hope I have clarified your point.

Rohit: Yes, sir. That was clear. The other question was in terms of our base business, of course, we have done very well this year in terms of topline. We have hired a lot of people and I think that those experts are paying the reward now. So, on 2-year basis, let us say, from FY '27, FY '28, FY '29, how are you looking at that business? Because we are opening up new markets, we are getting new registrations as MD sir was saying. So, how do you see that business growing? We used to be saying that that is a stable business and we struggled for the last 2-3 years post FY '23. So, if you can maybe share, because you are putting a lot of efforts in that as well. So, how do you see that business growing, let us say, from the base of whatever Rs. 430-Rs. 450 crores?

Zulfiquar Kamal: Yes. So, coming to the base business, it will be a steady growth of around 10%, but going forward, we have already mentioned by Mr. Zain Daud that we will be looking at a projected growth of 20% over this quarter. Around we are being, after the EU-GMP starts, we will be projecting around, if the fourth quarter we get some orders from there, we will be able to achieve around Rs. 450 crores this year. And going forward, I think as already mentioned, it will be around 20% growth going forward for the next 2-3 years.

Moderator: Thank you. Rohit, I request you to join back the queue, please. Thank you. Next question is from the line of Deepesh Sancheti from Manya Finance. Please go ahead.

Deepesh Sancheti: Hi, am I audible?

Zain Daud: Yes.

Deepesh Sancheti: How many new product launches and registrations are expected over the next 12-18 months, especially in the legacy business? How do you think that till we get the EU-GMP and if things kick start by 2028, what will be the growth in the legacy business?

Zain Daud: The legacy business is divided into two parts. One is the pre-formulations business, which comes primarily from the Middle East and some of the legacy markets. So, that is not dependent on registrations as much because it is a pre-formulation we are supplying. So, that is a different process. Coming to the formulation business, like you saw, we made almost 48 filings this quarter and we are looking to continue this kind of run rate and even grow from here. So, over the next 12-18 months, in the ROW markets, we are looking at continuous product launches. Every month, we are looking at 5-10 new products that may come once these filings start to convert to registrations. When you look at EU, I think the second question was about EU, right?

Deepesh Sancheti: Yes.

Zain Daud: Yes. So, when you look at EU, like we also said, we are nearing end of procedure for three more products. So, we will have almost 5-6 products to launch in EU once we have EU-GMP and more 5-6 in NIP and about 2-3 in OTF. So, about 8-10 products is what we are looking at launching in EU once we have the EU-GMP registration there and we do have demand for those products. So, we are looking at a product mix of about 8-10 products.

Deepesh Sancheti: Right. And you mentioned that once you reach about Rs. 1,100 crores revenue, that time you will be having about EBITDA margin of 18%. So, now what level of capacity utilization would be required to achieve that operating leverage and improved EBITDA margins?

Zain Daud: Yes, I think at Rs. 700 crore, we would be near full capacity when we have Rs. 700 crores. So, 80%-90% capacity would be utilized. Moving beyond that, we may definitely need to expand more. But I think it also depends a lot on the product mix. If you are making one product continuously, then your capacity can be further more. So, if we focus on these Q3 products, which are going to bring the major revenue for us, I think we will be at 80%-90% capacity. Going beyond that, if we need to grow further, we will look at CAPEX maybe 1-2 years down the line.

Deepesh Sancheti: So, once EU-GMP approval comes in, would we require any additional CAPEX and how much if we do?

Zain Daud: No. Once the EU-GMP comes, we do not need any CAPEX. We have done all the CAPEX for the EU-GMP and we are ready for the next phase, which can take us to about, like you said, Rs. 700 crores numbers to be assumed. Till there, we can go with the current capacity and current

investments that we have made. Already, that has happened. We do not need to make any new investments.

Deepesh Sancheti: Sir, just last question from my side regarding this only.

Moderator: Thank you, Deepesh. I request you to join back the queue, please. We have participants. Thank you. Next question is from the line of Anil Desai from Turtle. Please go ahead.

Anil Desai: Hi, sir. So, sir, I just wanted to understand more on the operating leverage part of it, because you alluded that at Rs. 700 odd crores, margin can be 18%-20%. But generally, isn't it the right way to look at the gross margin, whatever it settles down to, maybe 60-62, whatever that number may be. But the cost below that, the variable cost will grow in line with revenue and fixed cost will grow at 7%-8%. R&D number will remain largely at same number, even the percentage cost will go down. Isn't it the right framework to look at it rather than saying it 18%-20% because with that framework, we may end up with a much higher EBITDA margin?

Zain Daud: See, you are right. In principle, R&D costs will remain around the same number, the percentage may come down. Operating costs, like you said, may grow a little bit with the kind of inflection point that we will reach. And when we start to do more revenues, there will be more utility and a little bit more labor charges, let us say. But those are not that incremental when compared to revenue. So, you are right, we may look at a higher kind of EBITDA margin, but we don't want to be too optimistic right now. I think we will give this guidance a little bit further down the line once we have EU full-fledged started and a constant stream of supplies that has started to go into the market. So, at that time, we would like to give this guidance. I think not today. Today, we maintain a guidance of about 18%-20% EBITDA margin is where we are looking at.

Anil Desai: And second question, from slightly longer-term perspective beyond what we are doing on the Pancreatin side and a few other things that we have, how do we see the visibility to grow in the EU market? Because, let us say, next year we may get a good bump up because of one large product or maybe 2-3 large products. But on that day, if we have to continue to grow at 20%-25% in the EU-GMP market. So, what are the things that we are doing? Of course, we have a pipeline, which is under registration in different phases. But do you think that that pipeline is good enough for us to help us grow regulated at that 25% plus, even on higher wave of next year?

Zain Daud: Yes, I think see the pipeline that we currently have does seem to be good enough, because we have agreements that have been signed. There are projections for those. Obviously, there are 2-3 products that are a major chunk of it. All may not contribute equally. It is the 80-20 principle here that a lot of the contribution will come from the 2 or 3 major products. But we do have contract signed for almost all the products. And we do feel that there is enough projections and enough demand that we can reach to a stage where we are envisioning.

Moderator: Thank you. We will take our next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead. Ankit, your line is unmuted. Yes, please go ahead.

Ankit Gupta: Thanks for the opportunity. I wanted to understand what gives you confidence about next year's EU growth of 30%-40%. So, we are talking about almost Rs. 130-Rs. 140 crores of revenue coming from EU next year. So, is it one major product, Pancreatin driving it? Because I understand the rest of the products, the market size isn't that big. So, overall, and you said you have some firm commitment in hand. So, if you can talk about what is giving us confidence for next year's EU growth, like EU contributing almost Rs. 130-Rs. 140 crores of revenue?

Zain Daud: See, like you said, we have orders in hand already. The clients are continuously behind us to supply. All we are waiting for is EU-GMP. So, looking at the kind of orders that we have for now, for Pancreatin and there are other products also, Tamsulosin is also a big product in Europe. Looking at that, we have good confidence that yes, we will be able to grow because the demand seems to be there. The orders are there. It is just the regulatory clearance we are waiting for. So, we are fairly confident.

Ankit Gupta: I think we have to get approval for Pancreatin, right?

Zain Daud: We are very near approval in UK, which is what we will start with first. And that is a very big market for us right now. So, as soon as we get the EU-GMP, UK will be the first place where we get approval. And that is where we will get a majority chunk of the business for Pancreatin, at least for the next year.

Ankit Gupta: So, next year, can I like, let us say one out of Rs. 130-Rs. 140 crores, Pancreatin will be contributing Rs. 70-Rs. 80 crore and Tamsulosin will be contributing Rs. 20-Rs. 30 crore. Will that be right understanding in the rest of the product?

Zain Daud: Yes, that is a fair assumption.

Ankit Gupta: We individually can do Rs. 5-Rs. 10 crores of revenue, right?

Zain Daud: Yes, correct.

Ankit Gupta: Got it. Thank you.

Moderator: Yes, go ahead, please.

Ankit Gupta: Yes, please. So, in one of the earlier participants' questions, you answered that, even in second half without you contributing, we are looking at 15%-20% kind of growth. What is driving this or what is driving this growth for the rest of the world market? And if you can talk about this a bit, what will drive the growth for us in second half of this year in the undecorated market? I am assuming you supply start from Q1 of next year.

Zain Daud: So, see, the registration that we have been doing till now and the investment in the business development team and all of the personnel that we have added, definitely has opened up a lot of markets for us. And that is what is contributing to the growth. Obviously, the legacy business continues to be stable for us and continues to be a good chunk of the business. This plus the new markets that have opened up, like I said, LATAM, MENA, Africa and Southeast Asia, all of these contributing with formulations has been a good part of the business that is going to come in. So, looking at this, we are fairly confident that even without EU, the growth will come and we will end up at about Rs. 425-Rs. 430.

Ankit Gupta: Because already on trailing business, we are at Rs. 415 crores. So, then Rs. 10-Rs. 15 crores or Rs. 15-Rs. 20 crores of additional revenues will come in the second half?

Zain Daud: I think I am talking about total income. Once you add all the export incentives, the licensing fees, etc., sales revenue, we are looking at Rs. 415 crores. When you add everything, we are looking at a number of more close to Rs. 425-Rs. 430. Without EU, if we get EU, that will be on top of this.

Ankit Gupta: Got it, sir. Thank you.

Moderator: Thank you. Next question is from the line of Rohit Suresh from Samatva Investments. Please go ahead.

Rohit Suresh: Hi, sir. Thank you for the opportunity. Sir, my first question would be if you could quantify the loss in revenue due to what is happening in Saudi for H1?

Zain Daud: Yes. See, there is no loss of revenue due to that because Saudi is yet to start commercials for us. So, there is no impact on that for us at all.

Rohit Suresh: So, the entire Middle East part, you are saying there is not much impact, right?

Zain Daud: No, there is not much impact because see, right now, Saudi, like I said, is not a market for us. Other places in the Middle East, the market seems to be stable for now. Let us see how it is going forward.

Rohit Suresh: Understood. Sir, my second question would be on the NIP and the OTF part. So, if you look historically, we have been at around Rs. 15 crores each quarter, right? So, what is going to be the major trigger, right, for it to cross the Rs. 20 crores and to make it Rs. 100 crores portfolio? So, what are we in terms of making it Rs. 100 crores entire portfolio?

Zain Daud: See, the major trigger is going to be the EU registration because that is where the NIP and OTF market is majorly. So, once we get the EU, we will cross that barrier of Rs. 20-Rs. 25 crores each quarter.

Rohit Suresh: Understood. Sir, my last question would be if you could just verify. So, you said one-time expenses because of the EU-GMP and all that. It is around Rs. 5.5 crores for H1, right? So, was that the number?

Zulfiquar Kamal: Yes, that is the right number.

Rohit Suresh: Thank you so much, sir. All the best.

Moderator: Thank you. As there are no further questions, I now hand over the call to management for closing comments. Over to you, sir.

Anwar Daud: So, thank you very much for giving us this opportunity and have a good day. Thank you all.

Moderator: Thank you. On behalf of Go India Advisors LLP, that concludes this conference call. Thank you all for joining us today. You may now disconnect your lines.