Zeal & Innovation in Medicine

Ref No.: ZLL/CS/BSE/NSE Date: 15.11.2024

BSE Limited, Corporate Relationship Department P. J. Towers, Dalal Street, Mumbai- 400 001 Company Code- 541400	National Stock Exchange of India Limited Listing Compliance Department Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051 (Symbol - ZIMLAB)

Dear Sir/Madam,

Sub: Transcript of Q2 & H1 FY25 Earnings Conference Call

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), please find enclosed the transcript of Earnings Conference call for Q2 & H1 FY25 held on Monday, 11th November, 2024. The same is available on the Website of the Company at:

https://www.zimlab.in/investor-reports-earnings-call

Request you to kindly take the same on your record.

Thanking you,

Yours faithfully,

For ZIM LABORATORIES LIMITED

PIYUSH SIDDHESHWAR NIKHADE

Digitally signed by PIYUSH SIDDHESHWAR NIKHADE
DN: c=IN, postalCode=440012, st=MAHARASHTRA, street=325 MAHALAXMI APPT NAGPURDHANTOLIWEST CENTREL ROAD 440012, l=NAGPUR, o=Personal, title=3526, serialNumber=3cced6ca26d23668ee558b723602e5236d527adc99269a3746951cdb919fca04, pseudonym=352620221206180703459, 2.5.4.20=42e9b6a98356f9095ec25716fc30d8cb8463fc1dc23adada5293c43849baaf78, email=CSPIYUSHNIKHADE@GMAIL.COM, cn=PIYUSH SIDDHESHWAR NIKHADE
Date: 2024.11.15 12:01:45 +05'30'

(Piyush Nikhade)
Company Secretary and Compliance Officer
Membership No. A38972

"ZIM Laboratories Limited Q2 & H1 FY25 Earnings Conference Call"

November 11, 2024

MANAGEMENT:

1. **DR. ANWAR S. DAUD** – Chairman & Managing Director, ZIM Laboratories Limited
2. **MR. ZULFIQUAR KAMAL** – Director (Finance), ZIM Laboratories Limited
3. **MR. SHYAM MOHAN PATRO** – Chief Financial Officer, ZIM Laboratories Limited
4. **MR. ZAIN DAUD** – Investor Relations, ZIM Laboratories Limited

MODERATOR:

MS. DEEPIKA SHARMA – Go India Advisors

Moderator: Ladies and Gentlemen, good day and welcome to ZIM Laboratories Limited Q2 & H1 FY25 Earnings Conference Call hosted by Go India Advisors.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Deepika Sharma: Thank you, Nirav. Good afternoon, everyone, and welcome to the Q2 & H1 FY25 Earnings Call of ZIM Laboratories Limited.

We have on the call, Dr. Anwar S. Daud, Chairman and Managing Director; Mr. Zulfiquar Kamal, Director Finance; Mr. Shyam Mohan Patro, Chief Financial Officer; 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 risk that the Company may faces.

May I now request the management to take us through the "Financials and the Business Outlook," subsequent to which we will open the floor for "Q&A." Thank you. And over to you, sir.

Dr. Anwar S. Daud: Thank you, Deepika. This is Anwar Daud speaking and a warm welcome to everyone joining us for ZIM Laboratories Limited's Q2 & H1 FY25 Earnings Conference Call.

I trust you had the chance to review the financial results and earnings presentation available on the exchange.

Our performance in the first half of Financial Year '25 reflects our focus on executing our core strategy and our progress towards achieving our financial and filing goals.

In Q2 FY'25, we've achieved the Total Operating Income of Rs.922 million, reflecting a 7.4% YoY growth. Our EBITDA and PAT margins stood at 11.8% and 2.6% respectively. For the first half of '25, we recorded total revenue of 1,740 million with EBITDA and PAT margins at 11.4% and 1.9% respectively.

The Pharmaceutical business remained our primary revenue driver, contributing 69% of total revenue. This was complemented by the nutraceutical division, which contributed 31% in H1 Financial Year '25. Exports continue to be a significant growth driver, contributing 84% of our total revenue in H1 FY25, amounting to Rs.1, 467 million compared to 79.4% in the same period last year. NIP revenues reached 271 million in H1 Financial Year '25 with 119 million in Q2 FY25. Notably, the OTF segment grew its revenue share reaching 4.9% in Q2 FY25 and contributing Rs.45 million. Total OTF revenue for H1 FY25 stood at 71 million, our NIP and OTF segments, including licensing fees collectively contributed 21.6% of total revenue in H1 FY25, which is up from 14% in H1 FY24.

On the R&D front, we invested 9.7% of revenue in H1 FY25, up from 8.7% in the previous period. We are targeting the completion of our initial line of 10 NIP including bioequivalence studies and registrations for multiple developed markets.

We also continue to invest in our OTF products and in upgrading our dossiers for entry into new markets.

In the first half of FY25, we completed 7 NIP filings in the EU and 1 NIP filing in Australia aligning with our product filing strategy. Additionally, we completed 1 OTF filing in Australia and one in the EU.

We also received our first EU marketing authorization for our Azithromycin Oral Suspension under the NIP category and we have commenced our commercialization efforts.

I now hand over the call to our CFO, Mr. Shyam Mohan Patro, who will provide a Detailed Overview of our Financial Performance. Mr. Patro, over to you.

Shyam M Patro: Thank you, Dr. Daud, and good afternoon to all.

To begin with, let me walk through our Financial Results for Q2 and H1 FY25:

For Q2 FY25, we reported a Total Operating Income of Rs. 922 million, reflecting a 12.7% growth on a quarter-to-quarter basis and 7.4% growth on a year-to-year basis. EBITDA for the quarter reached at Rs. 109 million, representing a 21.1% increase from the previous quarter, with a margin of 11.8%. PAT for Q2 FY25 was at Rs. 24 million, with a margin of 2.6%, showing strong quarter-on-quarter growth. For the first half of FY25, Total Operating Income was Rs.1, 740 million. Our EBITDA for H1 FY25 reached at Rs.199 million resulting a margin of 11.4%.

The PAT margin for H1 FY25 decreased to 1.9% owing to an increased depreciation in finance cost.

On the balance sheet front:

Our borrowing stood at Rs. 974 million as of H125 with a gearing ratio of 40%. Our capital expenditure for FY25 remains in line with our strategy, focusing on completing the key projects like the NIP urology suite and capacity expansion for key Nutraceutical and OTC product.

That concludes my update. We can now open the floor for a query. Thank you.

Moderator: We'll now begin with the question-and-answer session. The first question is from the line of Aryan Oswal from Finterest Capital. Please go ahead.

Aryan Oswal: Sir, can you provide insight into the working capital cycle and cash conversion cycle for H1 FY25, and are there any plans to optimize working capital to improve cash flow?

Shyam M Patro: Cycle is healthy at the moment. For the H1, we have quite improved from FY24 and the healthy trend will continue.

Aryan Oswal: Sir, with increased investments in product development and market expansion, how do you plan to manage liquidity? And are there any considerations for raising additional capital?

Zulfiquar Kamal: This is Zulfiquar Kamal. So, as we have mentioned in the earlier calls, the expansion has been completed by taking additional borrowing and we have sufficient gearing as mentioned in our report, we stood at around 40% of the gearing ratio. So, there is no any plans for further infusion of equity capital or any liquidation per se.

Aryan Oswal: Could you provide more details on your licensing agreements and whether there are plans to expand these alliances to drive non-linear revenue growth?

Zulfiquar Kamal: So, as mentioned by Dr. Daud, we have already registering our NIP product and registration across Europe and other developing countries. We are completing our 10 NIP products BE equivalent and dossier completion will be completed by this year end. So, after completion, by next year we'll be able to get the results for an increase in revenue will start from around next year onwards.

Moderator: The next question is from the line of Rohit from iThought PMS. Please go ahead.

Rohit: Sir, my first question was of the 92 crores that we've done in this quarter, what is the revenue from regulated markets?

Zulfiquar Kamal: A very specific question, but as we have mentioned, the regulated market revenues are on the growth, we are giving the total percentage of NIP and OTF towards the total sales, which is as mentioned by Dr. Daud is growing.

Dr. Anwar S. Daud: To be more specific, the actual revenue from the regulated market business is less because there are limited MAs as of this moment and they were looking in the last two years. So, there are a few more submissions which are on the last phases and once we have a portfolio of products in MA in October, six or seven months of receiving the MA, that's when the business starts. So, the guidance which we have given earlier also is for '25-26 when you will start seeing the nonlinear growth or any other technical term you might like to use, that's when the results of all these NIP products filing in the regulated markets will start coming. Although in the emerging markets, we do have registration and that's what we are reporting, that for these same NIP products in the emerging markets, there has been substantial traction, and we continue to see growth in our NIP and ODS products.

Rohit: So, for this year FY25, any sense on what kind of growth you are looking over FY24 in terms of your revenues?

Zulfiquar Kamal: So, we are looking at around 10% growth over the last year for the March '25 ending.

Rohit: So, just on the last part of your explanation that you said that '26 you will start seeing a better growth. So, from a profitability standpoint, sir, that would also be valuable for profitability as well in terms of numbers?

Zulfiquar Kamal: It will definitely impact on profitability because the European sales and the NIP and OTF will have a higher margin and already we are giving a guidance of around 14% to 15% growth in EBITDA plus slight increase in the margin also over the last year.

Rohit: So, this you are saying for FY25?

Zulfiquar Kamal: FY25 and going forward further.

Rohit: So, you are saying margin will grow faster than revenue and next year's revenue will also grow faster, and margin will also expand, right?

Zulfiquar Kamal: Yes, that is the plan, and we are trying out.

Rohit: Sir, today in terms of our NIP registrations, how many of them as of Q2 FY25, how many of them are in EU?

Zain Daud: So, yes. Hi, Rohit, this is Zain. So, what we have done is we started with an initial line of about 10 NIP which were under development and towards which costs are going. So, out of those we have developed about six and these have all been filed now. The latest filing that we did so EU has been, let's say about six to seven products filed. The number of filings are more because each product is filed in multiple countries or different strengths. So, there are multiple filings on this, but the core products are six to seven. And we are also extending these to other regulated markets like Australia, etc., So, today, let's say about six products, going forward the other four products also we are planning to complete and the investment is towards that. Once they are also complete, we will target the filings either in Q4 or Q1 next year FY26 or Q4, we will complete the filing of our initial 10 NIP products which we had started development.

Rohit: So, Zain just one clarification. So, in the presentation we mentioned we filed 14 NIP and 6 OTF filings in H1 FY25. I have it in my notes that in FY24 we had filed 5 NIP registration in EU and in Q1 it was two. So, in Q2 we have not additionally filed any new NIP in EU. Is that understanding correct?

Zain Daud: So, in Q2, we have find one, the gastrointestinal NIP through DCP filing. So, basically what we try to do is in the presentation kind of keep investors updated on the initial 10. So, last year's presentation, the 5 number is the count of products which had been developed and filed, in Q1 this year, we did one more and Q2 one more. So, today let's say NIP of seven products are filed. Now, the number of filings like you said, the 14 NIP, that is mix of EU and for emerging

markets also in there. If you just look at EU, like I told you, the number of products are two and filings are seven because each product is filed in multiple countries. So, each product in our country is considered as one filing. So, let's say if I file the same product in four countries, that's four filing. So, in EU, we have done two products and I think seven filings in total. The remaining filings are for the Pharmerging and RoW markets. So, these are also being done simultaneously and the kind of revenue you are seeing in NIP right now without regulated markets is coming as an effect of these filings which we've been doing.

Rohit: So, if you look at last probably 12 quarters, I mean H1 is slower, I mean Q1 is usually slow and then Q2 slightly picks up and then H2 is better in terms of revenue contribution. So, I just wanted to understand is there some kind of seasonality in the business? Usually, pharma companies don't necessarily have that. So, I just wanted to understand that part. So, if you can just explain?

Dr. Anwar S. Daud: Yes, that's been the traditional trajectory for ZIM with the kind of business it has. as we go into the regulated markets, probably that could change a little bit. But we have traditionally had numbers of about 55% to 60% of the H1 number. So, it's an effect on the kind of business and product mix that we have. We have a domestic business, which is institutional business largely, that's also is kind of now getting mixed up with the domestic outlicensing business that we have, so slowly that is kind of smoothing out and then there are also for Pharmerging and RoW businesses where import permissions by our customers are received from January onwards. So, the planning of those in the last two quarters by the clients which might have affected with our ways. Over a period of time, actually we're expecting evening out of business in all four quarters, because the Company is product mix and its nature of business is also changing.

Moderator: Next question is from the line of Shyam Garg from Ladderup Family Office. Please go ahead.

Shyam Garg: Thanks for the opportunity. Sir, my first question is what are your sales projections for the recently authorized Azithromycin oral suspension in the EU over the next fiscal year?

Dr. Anwar S. Daud: That we are not at liberty to disclose because we signed the agreement that we were allowed to put on in public domain, have already been put there. The one that have we have just signed those projections and once we have clear specific projections all over the clients, we will be very happy to actually put it in the public domain on our website, and perhaps that would be the right time to ask us.

Shyam Garg: Okay. And are we looking out for any MAs for Azithromycin oral suspension in EU?

Dr. Anwar S. Daud: Yes, we will be doing multiple filing and it's a NIP product because it's an old antibiotic, it is NIP because it is taste masked. We are making multiple filings.

Shyam Garg: What is the capacity utilization for Q2?

Shyam M Patro: It could remain at sub-40 level. The reason being, in any pharma, the optimum or maximum is up to 60 and we will be up to 40.

Shyam Garg: How do you anticipate the revenue trajectory of your OTF segment, especially with the recent increase in contribution to 4.9% in Q2?

Shyam M Patro: See, historically, our H1 to H2 is 45 or 40 – 55 – 60%. The trend will be followed.

Dr. Anwar S. Daud: The OTF business is seeing an interesting upsurge. We would like to reserve our remarks for the time being in this quarter because we have some interesting agreements and interesting orders to execute. We will be able to give you much firmer view in the end of the next quarter.

Shyam Garg: Okay sir. What are the competitive advantage of your OTF portfolio in the developed market and how are you positioning these products against competitors?

Zain Daud: Shyam, I will take this. I think when it comes to technology, the advantage comes from the fact that there are very few players already, plus when you add the filter of an EU accredited facility, the companies filter out more. So, there are only a handful of companies in the world who are doing it at EU scale. So I think for us we are looking at the regulatory aspect of it. With the OTF I think the advantage that we have is on the regulatory aspect that having a proper EU dossier ready to be registered is a big advantage for us. So, I think in that sense what we are aiming is having our product line completely ready for EU with the proper dossier. And if we can do that, I think we'll have an advantage. When you talk about technology, there are some advantages to it. But these kind of advantages are often kind of what we already spoke about, like having a film that is non-curving or having taste marking technology on the film, so being able to have a better taste of the film. These are the kind of advantages we get from having the patented technology and process.

Dr. Anwar S. Daud: There's an interesting side. We have already shared the news of a submission of a sublingual oral film and we are awaiting that in the final stages. So, besides the oral dispersible film, we,

the technology is also versatile enough to make sublingual film where the product gets absorbed under the tongue, directly into the blood stream. So, perhaps that's a kind of a rare space, and that would actually show the strength in the Company's technology and open the doors to other products which can use this kind of versatility or which can show this kind of application. Once this product is in the market after the MA, which we hopefully expect to receive soon, perhaps that would open many doors for the ZIM Laboratories and the different products that it has under the sublingual absorption stage.

Shyam Garg: Okay sir. After the filing of this dossier and approval, you would be the sole seller of this formulations or OTF products or there will be other competitor as well who can participate in?

Dr. Anwar S. Daud: I didn't get your question.

Shyam Garg: After filing of this OTF portfolio you received approval for this OTF portfolio, you will be the sole seller of these products or there will be other participants as well?

Zain Daud: So, this opioid product that we are specifically talking about in Europe currently, there is only the innovator, there is no generic, but maybe for other products, yes, there may be one or two players more who are there, let's say for Sildenafil, etc., But for this opioid product, currently there is no other generic as much as we know, there is no generic.

Moderator: Next question is from line of Deepesh Sancheti from Mania Financial. Please go ahead.

Deepesh Sancheti: Based on the current visibility, what is your revenue and EBITDA guidance for H2 '25?

Zulfiquar Kamal: As I mentioned earlier, we are looking at a top line revenue of 10%, we are giving guidance and EBITDA margin and all we are looking at around 14%.

Deepesh Sancheti: What are going to be the key catalysts that would drive the growth over the next three to five years, particularly in terms of product pipeline, market expansion and operational efficiencies?

Dr. Anwar S. Daud: In fact, if you see the EBITDA comes after the expenses have been factored in, the expenses are being made for regulatory filing, expenses are being made for expansion and people have been recruited to actually cater to the kind of the growth which we expect from these businesses to come in although the agreements have been signed as yet. So, once the business grows, the expenses are already there inside the balance sheet. So, once the

business grows, you will see better margin, everything else will improve because expenses are actually being done, today people are being trained for the market where we wish to enter where we are filing, where we expect to obtain our MA and our partner expect to their MA. Once these MA start trickling, the story will be little different in terms of the overall business growth, the overall margins that the products have, that's what we've been talking about, that's the story.

Deepesh Sancheti: I just want to know in the next three to five years will our ROE be double digits, will our sales growth will be double digits and will our margins be increasing to more than 15%, is that what we should expect?

Dr. Anwar S. Daud: Well, the double-digit part is like as a Company we don't believe in giving a specific number. But the second part of your expectation is right, all these matrices are going to gradually improve and in three to five years you will see improvement in all areas including EBITDA, PAT, overall growth, NIP business, that's the plan.

Deepesh Sancheti: What are the major regulatory challenges you foresee when you increase your filings and commercialization in EU, and how are you mitigating these potential compliance risks?

Dr. Anwar S. Daud: Well, we are certainly mitigating them through the right choice of the right partner, whoever we sign the agreements with. We have kept reserved the business for others as well. Almost all the agreements are not exclusive. There is a scope for ZIM also to play in the same market. That's no. 1. No. 2, the partners with whom the agreements are being signed or partners who are no. 1 active in this therapy area, also, they are large enough and they don't sign an agreement without going through the due diligence of the dossier which they are buying and without understanding that these dossiers are fileable and MA obtainable. That's an indirect way of overcoming the potential regulatory challenges having strong partners with you who believe in the product and dossier and there are some liability or legal issues that can always come up, but these are partners who would be able to actually address those issues as well. So, it's a mix of prudence as well as going with the right partner.

Deepesh Sancheti: So, are there any ongoing discussions of strategic partnership, particularly in the developed markets to accelerate product commercialization?

Dr. Anwar S. Daud: Yes, yes, all the partnerships are strategic, none of them is opportunistic. For each product, we have chosen a partner who is strong in that therapy area and who is strong in his own

market, who understands the market well because if you see ZIM for wealth and for most people in the regulated markets, most clients in the regulated markets, ZIM is a new entrant. So, there has been a rigorous due diligence on all the dossier, the facilities, the kind of skills and competence that ZIM brings into the whole business, there are people who are behind these products, so there has been a rigorous due diligence of all these issues and area which you guide as financial analyst want to ask us why these partners and that's how the agreements have been signed and the outlicensing fees are being received in line and in tune with the agreements that have been signed. So, there are people who are putting their money in about it in a way.

Deepesh Sancheti: Are you experiencing any input pressures due to macroeconomic factors? What are the measures that you are taking for hedging against any cost fluctuations and supply chain disruptions?

Dr. Anwar S. Daud: We have spoken about the markets where we are operating. There are one or two products where the price changes have been there, one or two, not many, but as we are in that happy position of being able to pass on our costs and most of our agreements talk about that, you know being able to pass on the raw material, increased cost to clients, I don't foresee problems due to this reason. Certainly, there are problems due to the currency-related problems which are easing, and which haven't eased to the extent that we thought they would ease because of the geopolitical situation, unfortunately, existing now.

Deepesh Sancheti: How do you see the debt situation improving in the next three to five years, what are we doing about it, any particular plans for this?

Shyam M Patro: At the moment, whatever debt we have taken that is towards specific to the CAPEX. Once CAPEX is in operation, we will get revenue from that, and debt position will remain healthy.

Deepesh Sancheti: So, we are planning to repair it by our internal accruals only, we're not planning any fundraising or anything to actually reduce the debt dependence?

Dr. Anwar S. Daud: Not at the moment. There are different triggers for fundraising, as you know, maybe internal, totally new highly regulated territory for example, or some sudden influx of business where we see that in the interest of the Company and its shareholder, that is the time, but as of the near future we don't have any.

Deepesh Sancheti: What is the cost of that if I may ask?

Shyam M Patro: It depends on the bank-to-bank. Average is around 10% to 10.25%.

Deepesh Sancheti: The reason I am asking is that we are generating an ROA below 10% and if the cost of debt is high, I hope we won't fall into a debt trap. That's the only concern which I had.

Zulfiquar Kamal: No, as of now, we don't foresee anything. Sufficiently, there is good coverage. As we mentioned earlier, around 40% we are only taking the debt of the total networth, and our total debt is not exceeding around 2x of the EBITDA. So, we don't enter into any debt trap. The risk committee and all have proper monitoring is going on to that.

Deepesh Sancheti: So, how much of your debt is term loan and working capital, if you can just bifurcate that for me?

Zulfiquar Kamal: Around, the total debt of around 90 crores, around 60% is on the working capital and around 30% of the term loan.

Deepesh Sancheti: The utilization of working capital has been 100%?

Zulfiquar Kamal: Yes, it is very less. As of now the utilization is around 60% to 70% of the sanctioned limit.

Moderator: Next question is from the line of Aman Jain from Arihant Capital. Please go ahead.

Aman Jain: Hello. So, I just wanted to understand which are the key markets that are driving the export contribution, which has increased from about 79% to 84% in this H1 FY25. So, what are the key markets driving this growth and if you could also give us the strategy that we have planned to penetrate the entire regions?

Dr. Anwar S. Daud: So the registrations in ROW and the emerging markets of new products have been coming in. This strategy is about three or four years old. All the filings that we had done previously which we have reported from quarter-to-quarter. The registrations are coming in, they are helping us in changing the product mix, better margins are coming in, and the sales of these products are taking place. Those are all on expected lines. This is the kind of guidance we've been giving you all the time from quarter-to-quarter and it's aligned with the commitment we have made.

Aman Jain: Understood sir. Just a question on the R&D spend. So, it has increased from about 8.7% to 9.7% in this half. So, if you could tell us what is the allocation for NIP, OTF, other dossier upgrade?

Zain Daud: I think I understand the question and the kind of data you need, but see, it's very difficult to segregate it product wise because what happens is a lot of common facility is being used, it's everything is in the same plant. What we can tell you is the cost of BE that we have capitalized about Rs.65 million, in that majorly the BE cost is towards the NIP. That much I can tell you.

Aman Jain: Okay. One last question. What are the priority markets for the new NIP filings that we have planned and what is the expected timeline for the approvals? And if you could also give us what is the potential revenue contribution from them?

Zain Daud: So, I think the first part I will answer. The key markets we are focusing on is now the developed markets except US and Japan currently because our plant is EU-ready, we are also ready to go into Australia, Mexico, some other developed markets like South Africa. The timeline usually is about 18 months from filing for the MA, because there are a lot of queries that come from the ministries, there are delays on that end also. So, let's say an approximate timeline of 18 to 24 months after filing is when we should expect the MA. And in terms of revenue projections, I think right now it will be a bit too early for us to give that number. So, what we are going to do is as soon as these MAs get commercialized, we'll keep updating you that these MAs are commercialized in a particular region so that will help you track.

Moderator: Next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Firstly, sir, if you could explain to us the capital work-in progress closing balance of 33 crores, when it is going to get capitalized? And what kind of increase in turnover or asset to turnover ratio we can expect?

Zulfiquar Kamal: Yeah, so the CWIP what you have mentioned, the projects as we have already said earlier, the projects will be completed by year-end, and we hope to capitalize most of the CWIP in March 25. And the asset turnover ratio definitely as we have said already in the previous calls, these are specialized suits for the NIP products. So, once the MA is received, these assets will be commercialized, and the assets will start generating revenue from this.

Saket Kapoor: But if you could give us some color what kind of revenue will it be generating in future?

Zulfiquar Kamal: Yes. So, it all depends on the agreement which we have signed earlier on the NIP products, and we are awaiting the MA registration from the same. So, these MAs, totally the revenue will depend on our marketing partner and normally we expect the revenue to start as we mentioned in the first quarter of 25 and we have projected quite a good amount from these products, our expectations is pretty good. And we have already given some guidance on the overall agreements which we have done the MA, the products we have filed. So, definitely the CAPEX two times we are expecting.

Dr. Anwar S. Daud: Just to place on record, when you have a CAPEX in a Pharmaceutical Company, it takes about one and half years to two years for the CAPEX to complete and the facility to be qualified. Because we are signing these agreements and we have the guaranteed projections in most of our agreements, we are building capacities to be able to take care of 100% of whatever has been committed by us, for sales the quantities which we have committed to sell, supplied to our partners and the partners have committed to take. We won't start getting the return on investment from day one of having completed this facility. These facilities are likely to be filled in the next two, three years. However, these products are the NIP high margin products and have generated a lot of traction and interest amongst different clients and partners. And in fact, in the next few quarters, one specific thing I can say is that these partners would also start filing the dossiers. So, if possible, we will try to bring that news also to the public domain as much as we can so that, that can also be tracked.

Saket Kapoor: Right sir. If we also look at the intangible assets under development, that has a closing balance of 25 crores and other intangible asset of 3 crores. So, can you explain the nature of these intangible assets which are under development and what should one read into this?

Zulfiquar Kamal: So, as we have mentioned in an earlier call, we are capitalizing our R&D expenditure of BE studies and product registration. These are forming the part of the intangible assets. So, all filings for which the bioequivalence studies, the product which has been developed, and the products are being registered, are being debited in this WIP of intangible assets. Once the product registration is received, that is the MA is received, then we capitalize it, and after capitalization in three years they are formatized. So, these 33 crores represents the products which have been developed, BE studies have been incurred on these various products of NIP and Oral Thin Films and the filing which has been done, the filing fees as mentioned in the earlier call the DCP filing of all over Europe as well as specific filing which are being done, these are capitalized under CWIP of intangible assets.

Saket Kapoor: Currently, the expenses relating to R&D are not going through the P&L?

Zulfiquar Kamal: No, the regular expenses of the R&D is going to the P&L, only the two expenses which I mentioned earlier, the bioequivalence studies and the filing fees are not going to the P&L.

Saket Kapoor: How much are we spending on the ethical marketing part for the drug for which we have filed the dossier? What are we spending on the marketing front?

Zulfiquar Kamal: Marketing is yet to start. Once the MA is received, as Dr. Daud mentioned, then the marketing will start. On an average, we have got our marketing as of date RoW and other emerging marketing team there. Other marketing I think -

Dr. Anwar S. Daud: The regulated market is being looked after by the regulatory marketing health. As a big part of this business is in Europe and it's a B2B play, we are not in the market on our own with our distributors as yet. So, we use the normal marketing tool like meeting our clients at our level and regulatory related discussions are being held. I don't think it requires marketing budget, because the director is involved in the marketing and the negotiation in outlicensing of various products. That's no. 1. We do have plans to strengthen our marketing for emerging markets and RoW market for sure, and some very interesting regulated markets for which we have recruited and strengthened the team, we are in the process, and we have made some effort this year. So, where we intend to have our own brands in the market and appoint our own distributors and be there with our own product. So, that's why I said in the beginning the strategy is to sign even in Europe, sign agreements where they are not exclusively dossier, or the product is not being exclusively uploaded to any partner. We have retained the right to be in the market at a later date by ourselves as well.

Saket Kapoor: I will rehear what you said. Can you give us what is our current rating as of now and what are our current maturities for this year? We have I think 40 crores of long-term debt.

Shyam M Patro: We are rated with CARE and Equity; it is a Triple B Stable.

Saket Kapoor: And what is our current maturity for this year? What part of the loan is payable?

Zain Daud: See, normally the 15 to 18 crores has been matured every year or repaid, the capital requirement is there.

Saket Kapoor: We have closing balance of 40 crores under non-current liability. So, as of 30th September, how much is repayment for the second half H2?

Shyam M Patro: See, the term loan part, we have taken some additional loans. That part has been disbursed, another part is yet to be disbursed. And apart from that certain sections are in moratorium. But in a summary form, normally we repay the banker to the extent of 15 to 18 crores annually.

Saket Kapoor: It is good that our revenues have grown year-on-year as well as quarter-on-quarter. But commensurate to that our other expenses, employee cost and the finance cost, everything has moved up, thereby our PBT has remained lower if we take the year-on-year number. So, what explains this lower PBT for September '23 and September '24?

Zulfiquar Kamal: As mentioned earlier by our M.D. Dr. Daud, all our expenses related to product development, the capacity building, taking process validation batches in the facility, validation of the facility, all these expenditures are now being debited, and we have got everything ready, our regulatory team is in place for the European market and the regulated market. So, these expenditures are already being done along with the CAPEX in the filing. So, all these three expenses go hand-in-hand. Unless and until we complete the whole circle of filling, till that we have to spend all expenditure, and we have completed all of that. Similarly, interest cost is increased because of the term loan and completion of the new facility which is under construction and will be completed by March end. So, all these has an impact on the overall increase in expenditure, but the good part is the overall operational expenses has remained constant, stabilized. But these increases of expenses, which have the revenue for which we will be realizing in the coming years, the expenditures already been incurred in this year.

Saket Kapoor: Last point. You mentioned that H2 will be bigger than H1 and the proportionate will be, first half is 40% and the second half is 60%?

Dr. Anwar S. Daud: Just to correct you, we mentioned that traditionally the Company has 55% or 60% of the business in the second half. We're just giving you something, which is a guideline and this is what the Company has normally done. I also said that as the Company's regulated market business and different products that it is introducing actually start yielding return, we expect that this kind of staggering would actually level out in the long run or in the medium run.

Saket Kapoor: For the profitability part, sir, are we confident we will be able to match or grow higher than last year reported numbers?

Dr. Anwar S. Daud: Yes, yes, if we were not confident, we wouldn't have done it.

Saket Kapoor: Come again, sir? I missed your last point.

Dr. Anwar S. Daud: If we were not confident, we wouldn't have done it. We are confident that we have the products, there have been filing and our confidence has increased because we have several agreements now from very well established players in Europe who have done due diligence of the dossiers, facilities, the people and the intellectual property that we have, on the basis of which they have signed agreement and given the initial or the second milestone outlicensing fees to us., And that you can check if you see the outlicensing fees and increase of those, the share of outlicensing fee coming in inside the Company. So, there is an indirect validation of our competence as well.

Moderator: Next follow up question is from the line of Rohit from iThought PMS. Please go ahead.

Rohit: Thank you for giving me the opportunity again. One clarification I wanted. So, you said this year 10% growth and EBITDA you said 14%. This is the margin you are saying or this is the growth on top of last year, just wanted to look here.

Zain Daud: So, I think Rohit, what we are thinking is last year EBITDA was about 46 crores. So, this year, if we do the 10% revenue guidance, let's say around 400 crores if we do, I think the EBITDA will increase about 10% to 15% over the last year also and then EBITDA margin will also come around I think 14% or so if we can do the 10% revenue growth.

Rohit: This you are saying including the other income or this is without the other income?

Zain Daud: Without other income, which is only the total revenue with licensing fee.

Rohit: This is the total income. So, this will also include your other income, right?

Zain Daud: Yes, includes the other income.

Rohit: Dr. Anwar Daud mentioned that, we have filed a lot of registrations, filings for our products in the Pharmerging markets as well as unregulated markets also. So, sir, in the last maybe 12, 18 months, have you seen any change in your product mix, any newer products sort of contributing a lot and if you can call out anything on that part, that will be really useful?

Dr. Anwar S. Daud: Yes, Yes. We have given you. I actually earlier talked about our NIP and OTF segment, including licensing fees collectively contributing 21.6% of total revenue in H1 Financial Year '25, which is up from 14% in H1 '24. So, you can see the whole thing creeping upwards all the time. And if you see the last eight or nine quarters you will see that effect as well that as the registrations are coming in there is attraction from this kind of business and it's impacting the overall performance of the Company as well.

Rohit: Right! So, in H1, what was our income from the licensing income that we would have had?

Zain Daud: Let's say in H1 combined we had about 1.5 - 2 crores of licensing income from NIP and OTF combined. Sorry, I am mistaken, it is about 3 Crore of licensing fees, OTF & NIP combined. In the second half, we are expecting a little bit more to come in because some milestones are coming up.

Rohit: Sorry Zain. So, you said 3 crores in H1, and you are expecting it to increase in H2, right?

Zain Daud: Yes, expecting it to increase in H2.

Rohit: Just one more question on this. So, this income that we report or record, where is it recorded, is it in sales or is it in like our operating sales or is it part of other income?

Zain Daud: Other operating income.

Zain Daud: So, actually how we are reporting it, Rohit, is we report a total operating income, that is the core revenue which is basically revenue from operations, that is the sale income and then other operating income, the other operating income is the licensing fees and some export incentives, then there is the other income which is effect of currency, etc., which is outside the core revenue and then that combines to become the total income. So, I think the number you will see in the financials that are uploaded, if you see, there are two heads which is revenue from operations and other income. So, the revenue from operations has the licensing fees and sale both inside, other income is effect of I think currency, etc.,

Rohit: Okay understood. Any comments on some of the promising NIPs that you had talked about in the last few con calls, whether it is pancreatin or -

Dr. Anwar S. Daud: They are in the last stages of submission. Hopefully we are expecting some good results in the coming two quarters.

Rohit: Can you repeat that point, the name of the product? I didn't hear that.

Dr. Anwar S. Daud: One NIP and one Oral film are very interesting from the point of view of the large market size and expected contribution to ZIM's revenue as well as profitability and they are in the final stages. So, we are expecting some good news in the next two quarters because they are in the final stages of the submission.

Rohit: Just one question in terms of this con call, we are following a guidance of half yearly or we do it quarterly? Just wanted to understand that.

Zain Daud: So, I think this year the first quarter we decided to have a plant visit. We are targeting a half yearly calls. Because I think at this point we are still in the phase of getting our MAs and it's a waiting period as such. So, we are thinking that right now half yearly would be best. I think from next year if we think that there is more information to be given, then quarterly is what we will start again.

Moderator: Thank you very much. As there are no further questions. I will now hand the conference over to the management for closing comments.

Dr. Anwar S. Daud: Thank you. We will try to address all your queries. If you have any remaining questions, please feel free to reach out to our Investor Relations agent, Go India Advisors or our Investor Relations Incharge, Zain Daud. Both will be happy to assist you and thank you once again and have a great day ahead.

Moderator: Thank you very much. On behalf of ZIM Laboratories Limited and Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.