



Zeal & Innovation in Medicine

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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)
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Dear Sir/Madam,

Sub: Transcript of Q3 & 9MFY24 Earnings Conference Call

Dear Sir/Madam,

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 Q3 & 9MFY24 held on Wednesday, 31st January, 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 Nikhade)
Company Secretary and Compliance Officer
Membership No. A38972

ZIM LABORATORIES LIMITED

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**“ZIM Laboratories Limited
Q3 and 9MFY24 Conference Call”
January 31, 2024**



MANAGEMENT:

1. **DR. ANWAR DAUD** (Chairman and 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:

1. **MS. DEEPIKA SHARMA** – Go India Advisors

Moderator:

Ladies and gentlemen, good day and welcome to ZIM Laboratories Limited 9-month and Q3FY24 Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Deepika Sharma from Go India Advisors. Thank you, and over to you, ma'am.

Deepika Sharma:

Thank you, Tushar. Good afternoon, everyone, and welcome to the 9-month and Q3FY24 earnings call of ZIM Laboratories Limited. We have on this call Dr. Anwar Daud, Chairman and Managing Director; Mr. Shyam Mohan Patro, Chief Financial Officer; Mr. Zulfiquar Kamal, Director of Finance; and 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 risk that company 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.

Anwar Daud:

Thank you, Deepika. I hope we are audible because earlier on we had a few problems with the arrangement. Good afternoon, ladies and gentlemen. We are pleased to welcome you all to our Q3 and 9-month FY24 earnings con-call. Our investor presentation has been uploaded on the exchange, and we hope you have had the opportunity to go through it.

The third quarter saw improvement in total operating income for the company, a growth of 12.2% in Q3FY24, reaching Rs. 963 Mn, up from Rs. 858 Mn in Q2 FY24. EBITDA and PAT margins improved to 13.1% and 5% for the quarter. The pharmaceutical sector remains the predominant revenue driver, constituting 80% of our total revenue, complemented by Nutraceutical contributing the remaining 20% for 9-month FY24.

Our finished formulation exports business continued to grow in line with our strategy, contributing Rs. 246 Mn to our top line, a 26% quarter-on-quarter growth. The 9-month FY24 total is Rs. 643 Mn, contributing 34% to exports, up from 25% in 9-month FY23.

The finished formulation business also saw us complete 10 dossier filings in Q3, while we received three registrations from previous filings. The domestic formulation business also witnessed a surge, owing to significant state government orders for our Nutraceutical products.

We are steadily progressing toward making a presence in the stable markets, with revenue contributions increasing from Asia. The Asia-ex-India segment exhibited substantial growth, a 38% year-on-year revenue increase, totalling Rs. 299 Mn for Q3Financial Year '24. The domestic formulation business also witnessed a surge, owing to significant state government orders for Nutraceutical products, as I have already stated before.

ZIM Lab, there has been a substantial growth in the NIP and OTF segments, our key strategic areas, during financial year '24. The NIP revenues demonstrated a 163% year-on-year growth, reaching Rs. 168 Mn during 9-month financial year '24. Simultaneously, the OTF that means

Oral Thin Film revenues, witnessed a 31% year-on-year surge, resulting in a total of Rs. 93 Mn for the same period.

The total contribution from NIP and OTF now constitutes more than 10% of our overall revenue for 9-month FY'24, amounting to Rs. 260 Mn. Our focus on development of innovative products, NIP as well as the OTF, continues, and our R&D spent for the quarter was at 9.6% of the total operating income. We completed one new innovative product, NIP Dossier filing, in Spain and Portugal. We continue with our guidance of two more NIP filings in EU in Q4.

For the OTF business, ZIM along with its partners have submitted 17 dossiers, of which 12 were under ZIM brand names. Our partners submitted 5 OTS dossiers: Ondansetron in Brazil and Tadalafil is in Indonesia, and Rizatriptan in Austria, establishing partnerships in key markets. Now, I welcome Mr. Shyam Patro, who will take us through the financial highlights for the quarter.

Shyam Patro:

Thank you, sir. Good afternoon, everyone. Let me present the overall financial results for Q3 and 9-month FY24. In Q3FY24, our total operating income reached at Rs. 963 Mn, indicating 12.2% increase compared to the previous fiscal. In EBITDA for Q3, it stands at Rs. 126 Mn, reflecting 17.8% year-on-year increase with an EBITDA margin of 13%. The profit after tax for the quarter was Rs. 448 Mn, with a margin of 5%.

The exports, a significant contributor to our revenue, accounted for 76% of the total operating income for the 9-month FY24. For R&D investment in Q3 represented 9.6% of the total operating income, with an expenditure of Rs. 41 Mn spent on BE studies and registration. We continued upgrading our plant and equipment with a CapEx addition of Rs. 174 Mn in Q3FY23. The total CapEx addition for the 9-month FY24 was Rs. 514 Mn. That's all from my end. Now I would like to invite our Managing Director to share his closing thoughts. Thank you, sir.

Anwar Daud:

Thank you. We remain committed to sustaining this positive trajectory and advancing towards our strategic goals. We can now open the floor for questions and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press * & 1 on their touch-tone telephone. If you wish to remove yourself, you may press * & 2. Participants are requested to use the handsets to ask a question. The first question is from the line of Darshil Pandya from Finterest Capital. Please go ahead, sir.

Darshil Pandya:

Hello. Hi, sir. Sir, what are your plans going forward for the domestic markets? Are we going to cater to government or big private players?

Anwar Daud:

Darshil. So, I'm just trying to understand the question. You are speaking about the domestic efforts of ZIM Laboratories Limited, and as I already said during my opening statement, evidently, we have a focus on our institutional business in the domestic market to the extent of our NIP products. And I'm glad to inform you that several NIP products have been approved and registered in the government agencies, and several products have been executed in this quarter. And a big constituent of the government orders this time was NIP products.

Darshil Pandya: So, what is the update on the current situation, the dollar shortage? Has this stabilized or?

Anwar Daud: Yes. Darshil, there is some [inaudible]

Darshil Pandya: Okay. And, sir. What are the NIP products under development? And can you please throw us some insight on that?

Anwar Daud: Yes. So, as far as the development is concerned. The technology which are there. We already know about the technologies. There is a development of several products in all the technologies that we have. One of them [inaudible]; there are some findings which are also in the pipeline. [Inaudible]

Moderator: Hello, Shyam sir. Can you hear me?

Shyam Patro: Yes, your voice is clear.

Moderator: Sir, your voice is a little bit distant. Can you take the device closer to you and speak louder?

Zain Daud: Yes, I think it should be fine now.

Moderator: Yes. Yes, does that answer your question?

Shyam Patro: Is the voice clear now?

Moderator: Yes, it is better now

Anwar Daud: Please tell me.

Darshil Pandya: Yes, just the last part I just missed from your end about the NIP products under development. Can you please specify that?

Anwar Daud: Okay. So about the NIP products which are in the pipeline, of course the company does not give the specific products, but based on the technology, there are products which are under the pipeline in almost every technology platform that we have. And we are keeping to our guidance on the filing that we are going to be by March.

There are several products more in the NIP pipeline which have been added as well. And as we shall close quarters in the near future, we will be advising and making all those products and their status public as and when necessary to be able to show you the progress on NIP products.

Darshil Pandya: Got it. Sir, when we visited the plant there, you know you guys have launched a product called [SAASA] in Europe. So what's the update on what's the development in that specific product?

Anwar Daud: Yes. So the first consignments have been dispatched and the new orders have been received.

Darshil Pandya: So we are getting a

Anwar Daud: Yes.

Darshil Pandya: All right. All right. Got it. I'll get back in the Que. Thank you.

Moderator: And the next question is from the line of Chirag Shah from White Pine. Please go ahead, sir.

Chirag Shah: Yes, sir. Thanks for the opportunity. So my first question is with respect to Rizatriptan and Sildenafil. Sir, we were expecting the revenues to flow from Q2 or Q3 of '24. So can you indicate the status over there? Because I know last month some basic shipment was happening for one of the products, but...

Anwar Daud: That was Sildenafil, Chirag. That was Sildenafil. And...

Chirag Shah: That was a very small trial order.

Anwar Daud: Repeat order once again. So that's the status just now. And for Rizatriptan, the MA has been transferred, and the packaging material and other things are under finalization between us and our partner. I think they are in the process of transferring it to their name, after which they will place the order.

Chirag Shah: So how much time it will take for it to be in?

Anwar Daud: Next quarter, we expect all these logistics-related issues to be resolved. And hopefully we will come back with positive news on Rizatriptan as well.

Chirag Shah: So next quarter means Q4, right? The current quarter for which the results are going to come out?

Anwar Daud: Yes, we expect.

Chirag Shah: And, sir, how big is this? Because last quarter, whatever we did for Sildenafil was very basic trial order, right? But how big this potential is over here, over the next two years? How big these two can be? If you can give us some insight or to be helpful.

Anwar Daud: Well, normally, you know, ZIM doesn't give this kind of guidance of how big it will become because they are in that launch phase. And it's a new drug delivery system. Sometimes, for example, I have given you very positive news about the total now NIP products, and including ODS.

The growth that they have in this last quarter is, I think, now it constitutes 10% of our total business. So you can imagine the potential together NIP as well as the ODS business have. I also spoke about the registration of the ODS products in different government departments from where the volume is going to be substantial. We are expecting that.

And therefore, the observation and the product becoming popular and commonly available in many different channels, which will lead to its popularity, and we hope, we are very confident that it will be -- it will find its place as another acceptable dosage form in public view as compared to being a niche product just now.

- Chirag Shah:** Okay. Sir, the second question on actually related one is that, sequentially, there is a drop in NIP plus OTF. And in fact, there is a drop in both of them. In fact, what I was under the impression that, sequentially, also we will keep on increasing NIP plus OTF combined. But I see in Q3, there is a drop in sequentially in both the entities, in both the revenue streams. So sequentially, the share has actually gone down versus what it was in Q2.
- Anwar Daud:** Yes, it's more of a logistics problem, more of a supply-related problem because the order, and the LC, and all those kind of things. On an average, the sequential increase in business will be maintained.
- Chirag Shah:** So from here on, you are saying sequentially it will go up?
- Anwar Daud:** Yes, it should. I'm sure you've had a look at the nine-month number. The OTF has increased by 90%, is about 135 and now it is 261. The revenue in Mns., OTF and NIP, there is a substantial and significant growth in the NIP as well as the OTF growth in this quarter at nine months.
- Chirag Shah:** Sir, one more question on this -- sorry to be sticking on NIP and OTF.
- Anwar Daud:** No, please: you are welcome.
- Chirag Shah:** Sir, in the past, you have been indicating that there has been a significant capacity addition that you are doing in NIP, which is a combination of expanding existing location and then, if required, you will add new plants or new facilities also. Now, whatever capacity expansion that we have done, if you can indicate, to -- whenever they achieve their full potential, and I'm not saying they will achieve in one year or two years, but whenever they can achieve, how big it can be?
- Because it's very difficult for us to figure out when you are adding capacity, it can do big volumes, but how do we quantify that? Either what kind of CapEx we have done and what kind of asset turn we can expect at its full potential, or some indication you can give, it would be helpful.
- Anwar Daud:** Okay, Chirag, so a lot of the capacity expansion is debottlenecking. Then there is a pure capacity expansion in the -- along with the compliances, we are complying for ANVISA now because we have signed several agreements in Brazil, Mexico, and so on, which we always very transparently post the moment these agreements are signed, they are available. And they are in the nature of 20% to 30% of the total operating income. In future, when the revenue comes in, this is what you are likely to see. And the overall capacity would actually double in the next two years.
- Chirag Shah:** Okay, so when is it going to happen?
- Anwar Daud:** That's what we are looking at, a doubling of the overall capacity. And at present, because I spoke about the debottlenecking and addition of capacity, I think we would be able to take about 40% increased output from whatever we are adding in easily.

Chirag Shah: So if I assume March '23 of say roughly RS. 400 crores of revenue, you are saying that you can expect 20% to 30% of that as a revenue stream coming from NIP, based on current capacity. That is the right way to look at it?

Anwar Daud: That's right. And, of course, this is all. There is a lot of qualification in these statements because capacity normally in a pharmaceutical formulation factory, in terms of the product mix, also it changes a little bit here and there.

Chirag Shah: No, fair point, sir. This is all estimation and that is how businesses work, so I understand that, sir.

Anwar Daud: Because product mix, we have different streams of business. We have Nutraceutical, we have the PFI business, we have got the finished formulation business. As a product mix, what we have anticipated our business growth in terms of in the PFI, Nutraceutical, in the finished formulation. We are looking at around 25% to 40% enhancement in capacity in the coming couple of years.

Chirag Shah: Okay. And, sir, just one more question on this: on the European filings that you indicated, and we are hoping that H2 '25 onward, Financial Year 25H2 onward, we will see revenue flow coming from regulated markets. Sir, two questions over there.

So, one, what gives you confidence that there are more probabilities that there will not be delays? So, what are you tracking over there to be on track that the delays will not be significant over there? That's one question.

And second question is, if everything plays out as you are expecting it to play out, major revenue, because [FY26] whenever it happens, it will be more of a trial order and it will take another six months. So, '26 is the year where we will see big flow of revenue. Is that the right way to look at it? So, these are the two questions.

Anwar Daud: It's the right way to think because all the filings are now more frequent. As you must have noted in the quarter-to-quarter in the last, if you go six quarters back, there used to be a solitary filing, and now I just spoke about different filings in different territories, regulated as well as emerging markets, which are happening more frequently because products are now ready. Agreements are being filed as we speak.

And there was one MA Rizatriptan which was transferred to a partner, which was ZIM, had taken the initiative to file it by itself. And that MA was transferred to a new partner. So, you will see more and more of that. And that happens only when there is a partner who thinks there is substantial business going to happen.

We are also receiving -- there is another way to track is out licensing fees, which we have been receiving. You will see growth in that as well, gradual growth. These are all early indicators of the kind of business growth that we and our partners think can come from this business. So, all those signs are there.

Chirag Shah: No, I was more sticking to the three-four filings that you have done in the European side, and on which the initial expectation is that somewhere H2FY25, we will see the flow.

- Anwar Daud:** Yes. So, see, out of that, there are -- two are NIP products in Europe. The other three are ODS products, really.
- Chirag Shah:** Yes.
- Anwar Daud:** So, more filings are now, would come. And as we sign the agreements for them, that's when we will be able to give you a proper guidance.
- Chirag Shah:** Okay. So there is a chance that H2FY25 can see some plus-minus happening. Because earlier, there was a good amount of confidence that the delay should not be there.
- Anwar Daud:** I don't think it is there. It is there. I'm just not -- I'm just saying the quantification is positive. But because the filings are happening and simultaneously there are agreements being signed, it's difficult to quantify at this moment. Maybe two or three quarters down the line, we will have that confidence to be able to tell you that, okay, we are near this number now.
- Chirag Shah:** Okay. And, sir, one last question. So, there is still Y-o-Y declining revenue that we see.
- Anwar Daud:** Yes.
- Chirag Shah:** And even on EBITDA side. Now there was supposed to be some postponement of revenue that you had indicated last quarter. So, despite that, there is still Y-o-Y decline. So, if you can just elaborate, what is the piece which is leading to this decline even now?
- Anwar Daud:** Yes. So, there are still some currency-related concerns in the countries where we are working. Certainly, the situation has seen a good deal of improvement, and that is reflected in the difference between quarter two and quarter three. So, over a period of time, and I don't know, it's so difficult to predict nowadays how these kind of situations resolve itself.
- But over a period of time, we feel that even these currency-related problems are easing, and we will be back to how we were. This year, it looks a little difficult to see how we can recover from this in the next two months available for us. There was a single Nutra order which did not get repeated because whenever these currency problems are there, in those countries, when you have a currency problem, the natural tendency is to give more preference to the pharmaceutical.
- You make available currency for the pharmaceutical requirement at the cost of the Nutraceutical requirement. But this quarter, we also supplied several Nutraceutical products, and there are a fair amount of Nutraceutical orders also with us. There is a robust order list. But as you know, in several of our markets, we supply against advance. So, we are waiting for the currency to come in to be able to supply.
- Chirag Shah:** Okay. Sir, what I'm trying to understand is that what is the revenue loss? So, last year, we did say Rs. 100 crores of revenue, and this year, it is Rs. 96 crores. I'm just rounding it off for simplicity. So, what is the revenue loss on the Nutra side? Is it that Rs. 10 crores - Rs. 12 crores of revenue is completely missing, or is it a bigger number? Assuming that pressure would not have been there, what would have been the revenue?

- Anwar Daud:** The revenue loss would be around 30; which we, as I said, there was a single order of several products. But there was only one order. So, that hasn't come through because the buyer is unable to get the -- although, he has got the sanctions, he is unable to get the currency.
- Chirag Shah:** So, what was that number?
- Anwar Daud:** So, our priority was Nutraceutical business.
- Chirag Shah:** No. What was the revenue loss that was in last year because of which we are seeing the -- I'm trying to just figure out...
- Anwar Daud:** About Rs. 20 crores.
- Chirag Shah:** About Rs.20 crores. Okay. That's a reasonably big number. Thank you very much.
- Anwar Daud:** Thank you.
- Moderator:** Thank you. And the next question is from the line of Abhishek Agarwal from Prithvi Finmart Private Limited. Please go ahead, sir.
- Abhishek Agarwal:** Hello. Sir, my first question is on how is our business being affected by the current Red Sea crisis, especially considering that a significant portion of our revenue is coming from the ROW market?
- Anwar Daud:** It's certainly affected. It's affected. And the silver lining is that more of the business is now coming from the NIP products. So, that's a great thing, even though the business is getting affected. And you can see that the first quarter was disappointing for us, and our stakeholders. Second quarter showed improvement, and third quarter is further improvement. So, this currency crisis seems to be easing out.
- Abhishek Agarwal:** Sorry, sir. I am asking about the Red Sea crisis. What is happening right now?
- Anwar Daud:** No. It doesn't have any effect. In the Pharma business, the Red Sea crisis could actually indirectly lead to the slow rollout of easement of currency crisis. That indirect relationship it would have. But we have seen that there is a slow easement of the currency crisis. So, Red Sea crisis did not play that big a part. It's a complex of the various other equations and other things happening in the Middle East.
- Abhishek Agarwal:** Sir, will this impact marginalize the logistic cost, and other things will go up?
- Anwar Daud:** I don't think so. Most of our business is sent by air. Quite a lot of it is FOB business. So, we receive our money and hand it over here.
- Abhishek Agarwal:** Okay, sir. And one more thing: Given the challenges of price erosion and the regulatory delay in the European Pharma market, and as we are also planning to expand in this market, so how confident are we in obtaining timely approval and substantial volume from the European market?

- Anwar Daud:** We remain confident.
- Abhishek Agarwal:** Okay. So, as we have earlier said, that by the second half of FY'25, we will start getting some revenue from the European market, and gradually it will go up. So, we will stick with that deadline?
- Anwar Daud:** Yes.
- Abhishek Agarwal:** Okay, sir. And sir, how we are seeing the opportunity from the government business, and what is the margin profile of this business?
- Anwar Daud:** It has seen a steep improvement. I will ask Patro to comment on the government business margins. So, he can take you through that if you want that.
- But certainly, there are trends. That the government has a very, the regulatory authorities have become stricter on the kind of products that are in the market and the kind of regulatory norms that should be followed by local companies. And effective certainly, it provides a bigger opportunity for companies like ZIM, which are already following very, which are following; for example, our plant is EU certified, EU accredited.
- So, it is a better opportunity for companies like ZIM.
- Abhishek Agarwal:** Correct. And sir, how the, if we can get some numbers on the opportunities?
- Anwar Daud:** I will ask Shyam to, Mr. Patro to take you through the numbers.
- Shyam Patro:** Hello, Abhishek?
- Abhishek Agarwal:** Yes, sir.
- Shyam Patro:** Yes, specifically government business, what happens, the cycle is there, good amount of turnover is there, but exactly we are not in a position or due to listed things, we will not disclose the gross margin portion, but it is healthy. That's what I can give you the overall views.
- Abhishek Agarwal:** Sir, because in the presentation, we have mentioned it as a better business, better margin business. Okay. So, it's a better-margin business compared to our current margin?
- Shyam Patro:** Yes, it is comparable to that and even better in some cases.
- Abhishek Agarwal:** Okay, sir. And sir, how the receivables days would be for this business?
- Shyam Patro:** Sir, this business is tender documents.
- Shyam Patro:** Sir, we submit the tender documents. Suppose the tender documents of about post-shipment are 90 days, 60 days, we receive in time.
- Abhishek Agarwal:** Okay, sir. And sir, because someone has already asked this question regarding currency crisis and all, and it is yet to be stabilized, okay? So, as we are expanding our footprint in other

geographies, like European market and other geographies, okay, so how will mitigate such kind of currency risks going forward?

Shyam Patro: See, currency crisis will be there; that is the norm of the day. So, we expand to various footprints, it will be mitigated to some extent, definitely, yes.

Abhishek Agarwal: Okay, sir. And regarding our FF market or FF business, what is the projected peak revenue we can get, and is there possibility to provide a timeline for achieving this peak revenue?

Shyam Patro: The amount of CapEx we are doing, the amount of registration we are filing in various markets, so we are pretty confident of positiveness in the market and our results.

Abhishek Agarwal: Okay, sir. And sir, the last question, like in FY '25 and FY '26, okay, we understand; you know that better than me, okay, regarding the volume growth and all, okay. So, considering all the filings, what we are doing, and all the approval what we have in hand, okay.

So, how the FY '25 volume growth or FY '26 volume growth we can have, okay. Just a ballpark figure would be helpful in this, not a specific guidance on that.

Shyam Patro: Sir, at the moment I can only update you that the registrations, whatever has been made, that will bring sound results.

Abhishek Agarwal: Okay. Okay, sir. That's from my side. All the best.

Moderator: Thank you. And the next question is from the line of Dhvanil Desai from Turtle Capital. Please go ahead.

Dhvanil Desai: Hi. Good afternoon, everyone. So, my first question is on the NIPs that we have filed in Europe.

We have filed four NIPs. So, without naming the product, can you give us some sense that, what kind of differentiations we have? Are these all NDDS? How is the market? How many players do we expect? if you can talk a bit more about that.

Anwar Daud: Yes, so, I don't have any problem in disclosing the products to you.

Dhvanil Desai: Okay.

Anwar Daud: Because it's already there in the public domain.

We have filed Tamsulosin and Dutasteride using a new technology, liquid in pellets technology. And the product is actually, the capsules are way smaller than the original product. It's a product for prostrate. And it has been very well received in the markets, and we have signed several agreements.

So, whatever were possible to declare and are in the public domain, certainly we have filed. There is a lot of interest in the product because in prostrate, it's normally taken by older people, older male patients in BPH. And the large size makes swallowing difficult of the original product. And more water is required to swallow. And if you have more water, then people with

prostrate have a lot of problem during the night. So, we feel that we are giving a product with an advantage.

The second product which has been filed is Pancreatin, which is an enzyme. And we have a technology for making pellets out of these Pancrelipase APIs at a low temperature. And there have been very few players in the market using this, being able to make a successful Pancreatin product. Both these products have actually very few players, even in Europe. So, we are confident.

Then we have a product called Azithromycin Oral Suspension where we have done taste-masking. And the taste masking is excellent. The product, wherever in the ROW and emerging market, wherever we have launched the product has seen very healthy growth. And we feel this after the filing; after we get our MA, we will see much more traction in this product. It's been a very popular product. We have given market size in the earlier presentation as well for all these products.

Dhwanil Desai: Right. Right. Okay. So, sir, can you talk a bit more about when I wanted to understand how does it work in terms of the process? So, when you decide that product will be filed for any market, do you first approach partners or partner approaches you for certain products, and then you have comfort in terms of the market part of it, and then you file for the product? So, what comes first?

Anwar Daud: So, we see the market size. We see that we are, in a sense, we are a therapy-agnostic company. We are a technology process innovation company. So, we see whether the product has some problem which we can solve using our technology, and we develop that. And meanwhile, we are certainly, wherever we can, after signing NDAs, we are in touch with partners who would be interested. And as the product moves towards submission and filing, we enter into final negotiations. And we have explained this in previous calls as well. I mean, I am always happy to speak about this.

Dhwanil Desai: Yes. I will go through that. I think that would save time for everybody else.

Anwar Daud: So, yes.

Dhwanil Desai: So, second question, sir, is, in the NIP plus OTF is currently nine months, around 26%, almost 10% of our current business. And that too, without some of the, we are not yet in the European market. So, as things move in next two, three years, do we expect this to be, 30%, 40% of our overall business?

Anwar Daud: Hopefully, yes.

Dhwanil Desai: Okay. Okay. And that is a much better margin business, right?

Anwar Daud: Because the regular business will also grow.

Dhwanil Desai: Right. Okay. Okay. So, second question is, so I think we had indicated in the last call that this year we may endeavour to end at the same level as last year, but apparently, from what you are saying, that seems difficult. So, is that understanding correct?

- Anwar Daud:** That's correct.
- Dhwanil Desai:** Okay. Okay. And, sir, what is this Delta coming? Around India business has grown very well for the nine months. So, can you give some more colour on that as to how do we see this business from two, three year perspective? Do we see 20% plus kind of a growth, or it is more lumpy in nature? How should we look at that?
- Anwar Daud:** Which Delta were you, I mean...
- Dhwanil Desai:** India business, sir. India business.
- Anwar Daud:** See, India business is, we always try to, we try to take a strategic view of all the, different kind of changes that happen around us for the pharmaceutical business. We have taken note of the fact that the government in general and our regulatory agency in specifically is coming down hard on the regulatory part because of certain incidents and because it wants to protect the brand India image in pharmaceuticals. And it has taken, the government has taken several proactive steps. I'm sure you have read about them in the various publications.
- So, I think this provides, because it will take several months or years for many of the current players, mid or small size, to actually be able to come up to this, the level that is the government requires. ZIM already being there at that level, and as far as the regulatory part is concerned, we have a two-pronged, opportunity. The first is, of course, the general opportunity, where if we are ready, there's a window of opportunity for us because other players will find it a little bit more difficult to get their compliance right.
- The second is the NIP products by themselves; when they are coming out, there is an opportunity to enter into very interesting partnerships with big Pharma in India. Already, one product has been licensed in the market, and it is showing very interesting growth in the very few months in which it has been launched by our partners.
- Dhwanil Desai:** Okay. Okay. So, do we expect this kind of 15%- 20% kind of a growth to continue as we explore this NIP?
- Anwar Daud:** Yes.
- Dhwanil Desai:** Okay. Okay. And, sir, last question, I think you talked about, some of the filings we are doing in Brazil, Mexico, South American markets. So, are our plans, approved by the regulatory authorities in this country, or that inspection will take place once the filing happens?
- Anwar Daud:** In the later part of this year, we – probably we are looking forward to being inspected. We are preparing ourselves through the CapEx and other things that is there. Much of the expenses related to regulatory, compliance for these kind of markets, including ANVISA. And in addition to that, the CapEx is for debottlenecking and improvement in capacity.
- Dhwanil Desai:** Got it. Thank you. That's it from my side.
- Anwar Daud:** Yes. Thank you.

- Moderator:** Thank you. And the next question is from the line of Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go ahead.
- Dhruv Bajaj:** Hello. Sir, firstly, congratulations on posting a decent turnaround in the performance. So, I had a few questions regarding the MENA regions itself. So, I have seen some other companies dealing in those regions, like, say, Tanzania, using rupees instead of dollar for trade. So, how feasible is this for us?
- Anwar Daud:** I think our CFO will take you through that. He will be better able to, explain to you.
- Dhruv Bajaj:** Okay.
- Shyam Patro:** Yes, Dhruv. This is Shyam this side. Specifically, rupee trade is being implemented or encouraged by the government, but we are discussing with our lead banker because, you know, we are in a conservative banking. So, once the bank channel is established from our banker, then definitely we will love to be or we wish to be in that rupee trade rather than in dollar to dollar.
- Dhruv Bajaj:** Got it, sir. Got it. And then I was mighty impressed by our R&D spend considering the scale of our business. So, I wanted to understand that since 50% of our current quarter spend on R&D was going to the registration and filings. So, is this a kind of one-off kind of expense, and R&D expenses are likely to revert back to 4%-5% of sales figure mark, or given the pipeline of filing that we are planning in the near term, 9% might be the right figure to input in our models going forward?
- Shyam Patro:** To put it in a different perspective, we are continuing to file in a regulated market and for filing regulated market and in continuation of the strategy for expanding the footprint, we need to improve the R&D spending, and it is in line with our strategy.
- Dhruv Bajaj:** Got it, sir. Got it. And sir, my last question is that, despite losing out on Rs. 20 crores worth of revenues from Nutra orders, so we are still seeing strong growth in the Nutra division on a quarter-on-quarter basis. And similarly, our domestic, Asian, and Europe region is also growing strongly. So, can you broadly give the margin differential between these particular segments – target mix going forward?
- Shyam Patro:** If you see our overall gross margin at a segment level, there is an improvement in gross margin.
- Dhruv Bajaj:** Right.
- Shyam Patro:** So, in spite of drop in revenue, our margin is consistently there is improvement.
- Dhruv Bajaj:** Definitely. So, I am trying to gauge that only that since in this current quarter, the share of Nutra was higher, like from 10% to 15%, it was around 25%. So, did that lead to the margin improvement, or what is, so basically what is the differential in margins between Pharma division and Nutra division? And similarly, in different geographies, like, say, a MENA region or an Indian region. So, is there some differential, and what is that? So, I wanted to gauge that.
- Shyam Patro:** The market specific at the moment; I will not disclose the gross margin.

- Dhruv Bajaj:** Okay.
- Shyam Patro:** If you see the Pharma and Nutra, both are having a good, consistent margin and improving. In spite of like there is some shortfall in revenue, our EBITDA remains same or a good amount.
- Anwar Daud:** So, you know, in short, I understand your question as well. Although numbers are not, you know, that clear or positive, I would say the margin improvement is being contributed significantly by the increase in the NIP and ODS business.
- Dhruv Bajaj:** Got it, sir. Got it. That makes sense, sir. And sir, one last question...
- Anwar Daud:** We are not thinking of Nutra or Pharma. We are thinking of NIP, and there are certain NIPs which are Nutra as well, and there are certain NIPs which are Pharma. So, NIP and ODS business together, when their performance increases, the margins naturally increase.
- Dhruv Bajaj:** Got it, sir. That makes sense, sir. And sir, since we have done now four NIP filings in EU and we have said, so how many others firstly are there in pipeline? And if you could explain me briefly, like post-filings, how much time does it take to generally go into the market and scale up product?
- Anwar Daud:** Post-filings is a product, the 240 days clock, and everything. So, for Europe, right? So, it's about 1.5 years to 2 years when you get your MA, and we can start discussion and negotiations with our partners on the prices, the kind of forecast they have, and everything based upon the filing being done, everybody notices nowadays.
- So, that's when things become serious. We have our agreements ready by the time the MA comes in and the timeline is 1.5 years to 2 years. That's when the MA can come in. That's average. Sometimes it can go beyond that if some other concerns come up for the regulator, but this is the average timeline is this.
- And then after the, if the agreement is already in place after the MA has been received, then it takes about 6 to 9 months for the product to roll out because the other formalities are the market launch and all those things have to be done by the partners.
- Dhruv Bajaj:** Okay, sir. And since we are expecting strong growth in Europe region in FY '25, so is my understanding correct that we are expecting the rollout to also happen in FY '25 since it is already in the EU clause?
- Anwar Daud:** We think that the rollout in Europe and regulated markets will start in '25, although we have also provided you a view of how these NIP products and ODS products are in markets, even like India, where they have started contributing to the overall business and making a significant difference in our margins.
- Dhruv Bajaj:** Got it. And this can also lead to, say, a 40% kind of contribution to the overall revenues, right? If I heard that correct.
- Anwar Daud:** It can. It's a possibility.

- Dhruv Bajaj:** Okay, so that makes sense. Thanks. That's on my side.
- Moderator:** Thank you. The next question is from the line of Shubham Upadhyay from The Microcap Minute.
- Shubham Upadhyay:** Yes. Good afternoon. Congratulations on your set of numbers. So I have a just small question. So in the presentation, you have stated that the CapEx addition for this quarter, I mean, for the Q3 was Rs. 174 Mn, and the total for 9 months is Rs. 514 Mn. So can you give the numbers for upcoming CapEx?
- Anwar Daud:** I will hand it over to Mr. Shyam Patro. He has a better grip, including whatever recently has been done.
- Shyam Patro:** So in the next quarter, we can expect another Rs. 25 Crore of CapEx investment, and it will continue in line with the requirement of the regulatory as well as our strategy.
- Shubham Upadhyay:** Okay. And is there any number for the nine-month CapEx for the next financial year?
- Shyam Patro:** No. The whatever of the CapEx, are in working progress. That will be closed.
- So that needs some additional investment. And based on the future audit, post-audit, there needs to be some CapEx additions. So that decision will be taken post-audit only, not now.
- Shubham Upadhyay:** Okay. Thank you. I will re-join the Que.
- Shyam Patro:** Thank you.
- Moderator:** Thank you. And the next question is from the line of Zaid Munshi from Concept Investwell Pvt. Ltd. Please go ahead.
- Zaid Munshi:** Yes. Thank you. So I am just quoting numbers from your annual report regarding the NIP product.
- So I mean you have mentioned six products out of which patents have been filed for the two and the remaining four are yet to be filed. And I think you have written in FY '23 annual report that you will file in FY '24. So I am guessing a few of the products have been filed.
- So if you look at the market size, so the global market size is upwards of Rs. 1 lakh crores for just these six products. And even if you remove U.S., where you are not massively present, then to the market size is upwards of Rs. 40,000 crores. So it is a very big market for a size of your right.
- So I mean I just want to ask that you know what you guys are doing. There is let us say there is one innovator who has a patent on the product, and you with the partner are making the same product via different process or technology to get to the same or you know even better efficacy of the treatment. So is my understanding correct regarding this part?

Anwar Daud: That is right. That is right. We use technology to solve a problem with the innovator would have or some difficulty that the patients have, a perceived problem maybe where they feel that you know it could be more convenient, or it could be cheaper, or it could be it is a little complex.

So we also make it. But there is the competitive space is certainly promising. These are the kind of things we do. We use technology to resolve these kind of complexities and create these kind of products, which have very good markets.

Zaid Munshi: Okay. So, are you filing para four. I mean, in any of these, have you filed for first, to file or are there more players also in this regarding this?

Anwar Daud: We are not in the US market.

Zaid Munshi: Not in the?

Anwar Daud: We are not in the US market. We are in other regulated markets. US, Japan, we are not there.

We are in all other including Europe, Brazil, Mexico, Australia, South Africa. These are the kind of markets we feel that you know and this is not. These are differentiated products, but the claim is not to be you know on the lines of para four because those will require clinical trials as well.

So the claim is to show that they are equivalent but more useful or more convenient to take. So that is the you know the strategy of the company that we are targeting patient convenience and treatment adherence.

Zaid Munshi: Okay.

Anwar Daud: Affordable making products more affordable, more available.

Zaid Munshi: Sure sir. And secondly, I mean, next question is on R&D part. So I know that you have invested heavily into technology, but again, if you look at from a different perspective, the absolute spend is still less.

Right. So I mean, how hard is it to, you know, replicate the product or technology for other big Pharma companies? But at the end of market size is huge, right? So how hard is it for the other companies to get into this technology?

Anwar Daud: Well, see every company has its own area of strength, and it's certainly hard for any even a large company because we have out licensed our products to mid-size players in Europe who have their own R&D setups. We have licensed some of our products to a large company in India. There are several out licensed products in oral films to several of the large Pharma in the top ten.

So perhaps I would say we can do it very well in a certain price segment, which makes it unviable for other companies to take it up for development, and it makes sense for them to take it from us because we don't do contract manufacturing. We do out licensing. So certainly, we have really very well acknowledged client base for their existing R&D.

So I think it's the differentiation we are bringing where we are bringing, affordability along with differentiated, and more convenient, and more useful product, that counts. Where there is certainly a barrier for any large company to be able to easily do it. I'm not saying they can't do it. They could certainly look at the cost benefit analysis of, they partnering with us rather than trying to do everything from scratch like us but non-infringing to us.

Zaid Munshi: Okay. Thank you, sir. I'll join back the queue.

Anwar Daud: Thank you.

Moderator: Thank you. And the next question is from the line of Rohit from I-thought PMS. Please go ahead, sir.

Rohit: Yes, sir. Most of the questions have been answered, sir. So just a couple of them. So one, sir, like by the end of this year, by end of FY'25 rather, sorry, how many products in the NIP would you have in your portfolio where you think you would have filed for registration and you would have received the approval as well? So today we have about four. So what this number would be like?

Anwar Daud: Another, seven or eight would be there by the, by FY'25. Seven or eight, for sure. We're not sure because there are some in the pipeline; if everything goes well, those would be added to this as well. Okay. But about the, I think it would be good to think of receiving two or three more MAs.

Rohit: So by end of '25, you're saying the total filling would be about?

Anwar Daud: There will be several products submitted as a – and under filling.

Rohit: Right. Understood. And sir, in terms of, so two questions more. So one is within this portfolio; is there like an 80-20 in the sense that one product could be very big and the rest, or all of them are equally big from a market size slash opportunity standpoint?

Anwar Daud: No, you know this here. Normally, a company deals with itself to have a foothold in different technologies and different products, but any successful company or even a mid-sized company like ours, it will always be 80-20, when it actually pays out. Isn't it?

Rohit: Right.

Anwar Daud: It will be equally successful.

Rohit: Sure. No fair point, sir. And...?

Anwar Daud: And the 20% which will do the 80% of the business will compensate for all the expenses that have been done for all of them together. More than compensated. That's what my experience after being in this business for 35 years.

Rohit: Right. And, I mean, in the existing portfolio, are you seeing which is that one or...?

Anwar Daud: Not yet. If I do, I want to stop other products. Not working on other products. I would only do those which I knew.

Rohit: Fair point. And sir, like in terms of once these things start to give out the results that we've been looking at-I mean, we've been hoping for-do you think like the margins that we are right now- 12%, 13% EBITDA?

Anwar Daud: Yes, we are. We feel that the margins would improve.

Rohit: Would you want to give an idea like what is an improvement level that you're looking at? 14%, 15% is a good number, or close to 20%? What is your aspiration?

Anwar Daud: 15% is what we -- EBITDA is what we feel we can deliver if everything goes well.

Rohit: Can you repeat that, sir?

Anwar Daud: With the qualification: 15% to 17%.

Rohit: Got it.

Anwar Daud: With the qualification, with the provisional, then everything goes well.

Rohit: Sure, sure.

Anwar Daud: We do well in the economy also; everything stabilizes.

Rohit: Fair enough. Sure, sir. No, I think it's been very useful. Thank you so much, sir. And if I have more questions, then I will reach out. Thank you.

Anwar Daud: Thank you.

Moderator: Thank you. And the next question is from the line of Rohan from Turtle Capital. Please go ahead, sir.

Rohan: Hello. Good afternoon, sir.

Anwar Daud: Good afternoon.

Rohan: You said in last call you will try to replicate the previous year's performance. Looking at 9-month sales, are you sure you are going to be able to achieve that?

Anwar Daud: It doesn't look like that. I feel at this moment we are going to fall short of last year by 10% to 15%.

Rohan: Okay. And do you see the currency issue sustaining as your MENA region sales have been down substantially? And will that region again continue?

Anwar Daud: Currency issue is there. Although the difference between both the quarters tells the story that it's easing, we are also trying to play around with the geographical mix in the work we are doing.

And if, you – as I said earlier, the Asia, the Southeast Asian markets the Asia mix is growing, so that's our strategy to deal with this important event.

Rohan: Okay. And what is the progress on regulated market side?

Anwar Daud: Yes, that's already we have provided. We have done the filing. We have told you the filing. And the supplies have started. Agreements have been made. All are, I think, we have filed all those.

Rohan: So we can expect from FY '25 that should be reflected on our sales numbers?

Anwar Daud: That's right. That's right. That's what we have. To summarize, you can check – you could check this-the transcript of this call itself. And we have given you some kind of trajectory and input about – in this call itself.

Rohan: Okay. That was from my side.

Anwar Daud: Thank you.

Moderator: Thank you. And the next question is from the line of Sanjeev Damani from SKD Consulting. Please go ahead, sir.

Sanjeev Damani: Namaskar. Sir, am I audible?

Anwar Daud: Yes, yes, Sanjeev.

Sanjeev Damani: Sir, I am new to, you know, certain words. So can you kindly elaborate? One is new, innovative delivery. NIP is new innovative product. Am I right?

Anwar Daud: That's right.

Sanjeev Damani: But what about OTF? What is the full name of OTF?

Anwar Daud: This is the Oral Thin Film Technology. That is also an NIP, but we run it like a virtual division because that was -we have a pioneering, you know, position in creating the new segment of pharmaceutical dosage forms. So we...

Sanjeev Damani: I know about this. So how much it is getting popular in India? That would be my immediate question, sir.

Anwar Daud: Well, it's taking some time to pick up. Although...

Sanjeev Damani: Is it a very costly thing? Is it a very costly product? That is why we have less acceptance in India.

Anwar Daud: You know, we are manufacturing it at a slightly larger price than any comparative tablet or a capsule. But it depends upon the partner how to position it.

Sanjeev Damani: Okay.

- Anwar Daud:** Some of the partners who have actually given it an extremely premium position also are able to sell it. So I think it's a matter of acceptance of the new dosage form because when something looks so different from whatever we are used to taking it, it takes some time for the technology and its physical presentation to sink in and become popular.
- Sanjeev Damani:** Right.
- Anwar Daud:** And from our side, what – well, we are making all efforts, including enlistment of these kind of products in various government agencies, government buyers, so where people will be given these products free of cost and they will learn the ease and convenience of use of these products as compared to the conventional products. I'm sure popularize the whole concept of the dosage form in itself, not just the products. So these are all the efforts we are making.
- We have registered these products in regulated markets, in emerging markets, and now we are trying to make them more popular and available in various different channels, including the government.
- Sanjeev Damani:** Right, sir. And, sir, this is the medium of carrying the dosage of the medicine. So the medicines are also manufactured by us on this medium?
- Anwar Daud:** No, we don't manufacture the APIs. We are a formulation company.
- Sanjeev Damani:** Okay, then we make formulations. So for that purpose, API we are buying from outside. Whatever, FF, FF is for formulation, this thing, no?
- Anwar Daud:** Finished formulation, yes.
- Sanjeev Damani:** So this FF or FF product, we have to import our material from China or elsewhere. Are we importing also regularly all of our raw materials, or we are fully indigenously able to store?
- Anwar Daud:** Our procurement is, the percentage is, in this order, India, then China, then Europe. These are the three major segments from where we buy our raw materials.
- Sanjeev Damani:** How much is on China?
- Anwar Daud:** Yes, China is about 20%, 10% to 20%. And we are sufficiently de-risked because we are adding new suppliers for all those things we take from China who are based in India.
- Sanjeev Damani:** Okay. So we are developing indigenous sources also to reduce the dependence because I have my worries about products coming from China and our dependence on them. So I mean, let's say...
- Anwar Daud:** But you know, that's common to even large pharma and any company, anywhere in the world.
- Sanjeev Damani:** It is inevitable and not dispensable. So we have to import from them. Okay, sir, got this message. Now last one is that do we manufacture as a contract manufacturing company also?
- Anwar Daud:** No, we don't do that.

Sanjeev Damani: No, okay. Thank you very much, sir. Thank you. And all the best. You have done very well, sir, in this quarter, and appreciate the growth that is achieved in this year. Thank you, sir.

Anwar Daud: Thank you for your interest. Thank you for the comment.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Anwar Daud: Thank you very much. I hope we have been able to address all your inquiries to your satisfaction. If you have any remaining unanswered questions, please don't hesitate to contact our Investor Relations agency, Go India Advisor.

I'm sure they will be more than happy to assist you further and bring you in contact with our investor relations executives and team as well. Always happy to answer and explain the company's strategy and progress. Thank you.

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