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Vimta
Driven by Quality. Inspired by Science.

VLL\SE\050\2025-26
Date: 25.07.2025

B S E Limited, P J Towers, Dalal Street, Mumbai - 400001. Scrip Code : 524394	National Stock Exchange of India Limited, "Exchange Plaza", Bandra, Kurla Complex, Bandra (E), Mumbai – 400051. Trading Symbol: VIMTALABS

Dear Sir/Madam,

Sub: Transcript of the FY/Q1-2025-26 earnings/investor call held on 21st July, 2025.
Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Please find enclosed herewith the transcript of the FY/Q1-2025-26 earnings/investor call held on Monday, 21st July, 2025.

Further, pursuant to Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the aforesaid information is available on the website of the Company i.e., https://vimta.com/investor-earnings-call/

This is for your information and necessary records.

Thanking you,

For VIMTA LABS LIMITED

SUJANI VASIREDDI
Digitally signed by SUJANI VASIREDDI
Date: 2025.07.25 21:00:21 +05'30'

Sujani Vasireddi
Company Secretary

VIMTA LABS LIMITED
HYDERABAD-51

Encl: as above.

"Vimta Labs Limited

Q1 FY '26 Earnings Conference Call"

July 21, 2025

MANAGEMENT: **MS. HARITA VASIREDDI – MANAGING DIRECTOR**

MR. SATYA SREENIVAS NEERUKONDA – EXECUTIVE DIRECTOR

MR. SIVA RAMA KRISHNA – CHIEF FINANCIAL OFFICER

MS. SUJANI VASIREDDI – COMPANY SECRETARY

MODERATOR: **MR. VISHAL MANCHANDA – SYSTEMATIX INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '26 Earnings Conference Call of Vimta Labs Limited hosted by Systematix Institutional Equities. 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 Mr. Vishal Manchanda from Systematix Institutional Equities. Thank you, and over to you, sir.

Vishal Manchanda: Thank you, Steve. Good morning, everyone. On behalf of Systematix Institutional Equities, I welcome you to the Q1 FY '26 Earnings Call of Vimta Labs. We thank the Vimta management for giving us an opportunity to host the call.

We have with us the senior management of the company represented by Ms. Harita Vasireddi, Managing Director; Mr. Satya Sreenivas Neerukonda, Executive Director; Mr. Siva Rama Krishna, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary.

I'll now hand over the call to the company management for opening remarks. Over to you, sir.

Siva Rama Krishna: Yes. Thank you, Vishal. Good morning, everyone, and a warm welcome to you to Q1 FY '26 Earnings Call of Vimta Labs Limited. Please note that the investor presentation and the financial results are available on the company website and the stock exchanges.

Also, anything said on this call, which reflects our outlook for the future or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces.

The conference call is being recorded, and the transcript along with the audio of the same will be made available on the website of the company as well as on the stock exchanges. Please also note that the audio of the conference call is the copyright material of Vimta Labs and cannot be copied, rebroadcasted or attributed in the press or media without specific and written consent of the company.

From the management, we have with us Ms. Harita Vasireddi, Managing Director; Mr. Satya Sreenivas Neerukonda, Executive Director; myself, Mr. Siva Rama Krishna Kambhampati, Chief Financial Officer; and Ms. Sujani Vasireddi, Company Secretary.

Now I would request Ms. Harita Vasireddi, Managing Director of Vimta Labs, to provide you with the updates for the quarter ended June 30, 2025. Thank you, and over to you, ma'am.

Harita Vasireddi: Thank you, Siva. Thank you, Vishal. Good morning, everyone. Thank you for joining our Q1 FY '26 Earnings Call today. I'm pleased to share that in this quarter, Vimta has recorded highest ever revenue in a quarter, putting us on a very strong growth trajectory. This quarter, Vimta has witnessed substantial year-on-year growth of 31.4% with revenue coming at INR993 million, maintaining our strong margins.

The market shifts, the emergence of new technologies and the continuous innovation in the pharmaceutical and nutraceutical sectors have significantly heightened the focus on product quality and safety, an area where Vimta is distinctly well positioned.

Coming on to the services we provide, as many would know, the pharmaceutical testing and research services is a major revenue contributor. The growth in these services have met our expectations. Clinical trial pipeline looks encouraging, and Vimta is pleased to report that we completed a successful US FDA GCP inspection. This was an unannounced inspection, and happy to share with you that there were no Form 483 observations.

We have also received a letter of cGMP compliance from ANSM EMA during the quarter. These outcomes underline Vimta's dedication to excellence in quality and scientific precision. On food testing, we are observing consistent growth in business. The business model is to be agile and adapt to market requirements. We started a new food lab in Andhra Pradesh to cater to the market needs.

The electrical and electronics testing services, it has been stable during the quarter. Last quarter, we embarked on a new chapter with our expansion into biologics contract research and development services. I would like to share that currently, equipment procurement is in progress and in line with the timelines of commercializing the same from Q1 FY 2027.

As a part of our efforts to enhance shareholder value, the Board has approved a bonus issue in the ratio of 1:1, showcasing the company's strong financial position, confidence in future growth and commitment to rewarding its shareholders. Looking forward, we are confident in the continued strong performance across all our service offerings.

And with this, I would like to hand over the call to Mr. Siva Rama Krishna to discuss the financials. Over to you, Siva.

Siva Rama Krishna: Thank you, Ms. Harita. A very good morning to everyone, and we appreciate you taking the time to join our Q1 FY '26 earnings call today. I'll begin by presenting an overview of our financial performance for the quarter ended June 30, 2025. Following that, we'll open the session for your questions.

Before diving into financials, I'd like to mention that in light of the divestment of the diagnostics and pathological services business announced on August 30, 2024, the figures for the previous period have been regrouped to enable a like-to-like comparison with the current quarter.

I'll start with the financial highlights. The total income for Q1 FY '26 stood at INR993 million as compared to INR756 million in Q1 FY '25, up by 31.4% year-on-year. EBITDA stood at INR354 million in Q1 FY '26 as compared to INR266 million in Q1 FY '25, up by 33.1% year-on-year. EBITDA margins for the quarter stood at 35.7%.

Profit after tax in Q1 FY '26 stood at INR189 million as compared to INR140 million in Q1 FY '25 with a growth of 35.9% year-on-year. PAT margins for the quarter stood at 19%. I'd like to highlight that despite external factors such as cost pressures, we have maintained our margins.

On the balance sheet side, we continue to have a net debt-free balance sheet with cash and cash equivalents of INR379.3 million.

With that, we can now open the floor for any Q&A. Thank you.

Moderator: Our first question is from the line of Pujan Shah from Molecule Ventures.

Pujan Shah: My first question pertains to the biological segment, which we are trying to foray and which -- actually, the revenue and the commercialization will happen in Q1 FY '27. So just wanted to broadly understand right now how the dynamics has been working on in terms of competition, in terms of industry sizing.

And what are the challenges might we face initially once we ramp up the capacity? What are the advantages we have, plus advantages as we have already associated with the pharma companies as well? So just wanted to hear your broad thought on what services we can provide and how it will help to cross sell?

Harita Vasireddi: Okay. Thank you for that question. I will start with the advantages first. We've already been working with our pharma clients in helping them with their new product developments, be it small molecules or peptides and one-off cases of biologics. So we have been providing these companies with characterization services, any other analytical services, preclinical and clinical research services.

The idea behind pursuing a contract research and development of large molecules is to get the benefit of all these services and add also formulation development, making it a complete end-to-end package for our customers. So that's a huge advantage that Vimta provides because although there is competition in the market for contract development and research, not everybody is having clinical research and analytical research and analytical as a complete package. So there, Vimta will stand out to be quite unique.

And into competition, yes, there is competition already in the market more from CRDMOs, contract research, development and manufacturing organizations. There are some leading companies here. And their growth itself, I think, is a good indicator that this market is getting good spotlight from the industry, not only domestic but even international. So the opportunities will be from everywhere across the globe if we are able to maintain our quality and deliver as per the promises.

Some of the challenges that we envisage is that, right now, although the future everybody talks is with respect to biologics, we are yet to see a great amount of traction in India on biologics. The top few companies are working on them. But I think, today, the focus is more on peptides. But the good thing is whatever capabilities and facilities we are setting up at Vimta, they are good to be used even for peptides in addition to biologics.

Pujan Shah: And ma'am, regarding industry size and the growth opportunity...

Harita Vasireddi: The size and growth opportunity, may I ask you to please refer our Annual Report. I think we have given a lot of details there. I don't have the numbers specifically in front of me. But overall,

the pharmaceutical services, contract research and development services, I think, are growing anywhere between 9% to even up to 12%, 13% globally.

Pujan Shah: And ma'am, can you just give me a thought on how we are planning out in terms of electrical and electronic testing because, right now, we are seeing a good quantum of companies even planning to foray into India for the domestic manufacturing as well. So I think we are seeing -- and even in defense as well, government is focusing on manufacturing and giving indigenous focus. So how we are panning out the electricals and how we are envisaging the growth in this space for coming next 2 to 3 years?

Harita Vasireddi: This is a sunrise industry. It's a newer industry, especially the testing services for electronics. I think the major push for these services will come from defense and telecom in the next couple of years. Defense, especially because I think India has announced that they want to indigenize a lot of the defense components manufacturing within India.

And Hyderabad is actually quite a big hub for such OEMs. And this is a 3-year-old business for us. It is growing organically. But I think the future is bright because even the regulations are just beginning to be developed. So as the industry matures, as the manufacturing scale matures, I think the opportunities will only increase for testing laboratories.

Pujan Shah: Okay. And could you just give a broad breakup on all the 3 verticals, which we have in right now? So can you just give us a breakup on the revenue and the EBIT margin, if it's possible?

Harita Vasireddi: Top line, I can give. Broadly, about 65% to 70% of our business comes from pharmaceutical testing and research services, about 20% from our food testing activities, and the remainder 10% is from electronics, electrical testing and environment testing.

Pujan Shah: This is for Q4, right?

Harita Vasireddi: It is overall. This has been more or less how the pie has been divided for quite a few years now.

Moderator: The next question is from the line of Aditya Chheda from InCred Asset Management.

Aditya Chheda: My question is an update on the expansion that we are currently undergoing of almost 2,000 square feet. I think Phase 1 was 1,60,000. If you can update us how much of utilization has already begun. And the status of the second phase of the expansion, where are we in that phase? If you can just broadly talk about the same?

Harita Vasireddi: Sure. So we have added approximately 200,000 square feet of lab space. And what we have done is our food testing activities have already occupied the new facility, which has, in fact, created some space for us in the existing legacy building. So the legacy building, we are converting to accommodate contract labs and also the biologics contract research and testing activities. Because we have been having space constraints for our pharmaceutical testing.. so the legacy building is now being remodified and restructured to accommodate expansion of the pharmaceutical services.

So the new building not only houses the food testing, we will also be occupying it for preclinical testing. So right now, the occupation from the food side is complete because we have completely moved it from one building to another. Preclinical, they will occupy as they need more animal testing rooms. So this is going to be quite organic.

The other aspect of this expansion is that we also needed space to add another EMI/EMC chamber. So that chamber has been installed and qualified during the last quarter. And what we'll be doing is now to move the first chamber also into that building, so that all the chambers are together and the equipment are optimally used.

So that exercise is going on. Now since the second chamber is up, we will be shutting down the first chamber, moving it to the new building, qualifying it, and then we can have the opportunity to use these together.

Moderator: The next question is from the line of Umesh Matkar from Sushil Financial Services.

Umesh Matkar: I would like to know about the clinical trials. I think we were doing one clinical trial for a client. So what is the progress on the same? And also you mentioned on -- in your opening remarks that clinical trial pipeline is encouraging. So we would like to know about, like, what is the size that we are chasing and how close are we for finalizing the deal?

Harita Vasireddi: The pipeline, like I mentioned, is quite encouraging. During the last quarter, we have received a decent number of enquiries, and out of which a couple of them are in the final stages of getting converted. The rest also looks promising. Like I was telling in some of my previous calls, this is a new activity for us. So initially, it will take us some time to build the clientele. But happy to share that this is progressing well.

Moderator: The next question is from the line of Kanv Garg from Garg Advisors.

Kanv Garg: Yes. Ma'am, my first question is what type of services do we provide in clinical trials? And in what phase do we provide these services?

Harita Vasireddi: So in clinical trials, we have capability to do right from Phase I through Phase IV, the post-marketing surveillance also. And the trial that we have completed so far is a Phase II trial.

Kanv Garg: Okay. And ma'am, typically, if a company, let's say, sponsor engages with you from, let's say, Phase I or Phase II, so do they may go out in the Phase IV? Do they stay with us for that particular drug?

Harita Vasireddi: Too soon to answer because we have just done one trial. But we would hope that if the molecule has -- or the drug has done well, then we hope that they will do the next phase of the trial also with us.

Kanv Garg: Okay. And ma'am, my second question is, I think there is a significant slowdown in biotech funding, right, in the US So just wanted to understand what percentage of our revenues come from biotech. And are we seeing any slowdown there or there is a change in the stance right now?

Harita Vasireddi: Percentages, I don't have that calculation with me here, but we are not observing any slowdown in -- from that segment of the industry, none.

Kanv Garg: So, given that a lot of uncertainty is happening in the US, right, because of President Trump, so how are we managing that? Do we see any risk because of it or it might be beneficial for us? Just your viewpoint on that.

Harita Vasireddi: Definitely, there's a risk. If, I think, the tariffs and all are increased, then the exports might get impacted. And so far, Vimta's strength has been to cater to the high-quality requirements of the developed markets. So, if the developed markets are having such kind of initiatives rolled out in the future, then definitely it's a risk. But so far, we have not seen any impact of such possibilities.

Kanv Garg: So we are not exploring any possibility of, let's say, having a facility in the US And just thinking out loud, let's say, in case the tariffs may come because we have capabilities, so does it make sense to have a center in the US, which can do some partial work there in case the tariffs come?

Harita Vasireddi: I don't think they are directly related. If the tariffs increase, then the business from India itself will, I think, come down. But as such, generally speaking, it's a good idea to have an office there, no doubt, or a small laboratory there. And in the future, it will be our endeavor to look at such opportunities. But for now, nothing is on the cards.

Moderator: The next question is from the line of Ajay Surya from Niveshaay.

Ajay Surya: Ma'am, my question is, firstly, when I look at in FY '25, we did a capex of almost around INR80 crores, of which maybe INR25 crores to INR30 crores was for new building and the remaining was for equipment. And in FY '26 also, we plan a major capex of around INR80 crores to INR90 crores, of which we have already spent INR26-odd crores in this Q1.

Ma'am, previously, the major part of the capex was towards infrastructure building. And now if I get it right, it is going to be towards the equipment capex. So ma'am, if you can break this capex into how much of this capex was for replacing older equipment and how much was for the newer one. And from the newer ones, how fast can we expect this to contribute to our revenue?

Harita Vasireddi: Okay. Last year, majority of the capex was spent on the new facility that we have built. So it's not INR20 crores. I think it's upward of INR60 crores, Siva can confirm. And the remainder was for equipment. And equipment, it's a routine spend for us, whether it is to add new equipment or to replace existing old equipment.

Typically, what we use is depreciation that is available for us. So this is continuous. Again, this year, we have a large capex outlay, again, to complete the final payments for that new building that we have done. And also about INR30 crores is planned for the biologics contract, research and development services setup. And the remainder is for expanding our capacities across our business units.

Ajay Surya: And ma'am, like, how fast can this new equipment start to contribute? Will it be immediate or there will be some lag, if you can give more details on that?

Harita Vasireddi: Yes. Equipment, typically, we buy just in time. Depending on the lead times, equipment is usually taken just in time. They are not bought in advance, and we wait for business, unless, of course, it is for new capability setup.

Ajay Surya: Got it. Ma'am, my next question is in the opening commentary, you mentioned that on the clinical services, the pipeline looks strong. And we started with clinical not a long ago. And we have been dominant on the analytical and preclinical services.

So ma'am, if you can highlight going forward, so which service category is going to drive the future for Vimta and which category is evolving? Also if you can give more details on -- in terms of margin and profitability, are these going to be significantly different when we go ahead with a larger portion of clinical services in our business or it's going to be more or less on the similar lines?

Harita Vasireddi: Yes. So the pharmaceutical industry is a very mature industry, and it keeps growing at a healthy growth rate year after year. So the opportunities, whether it is preclinical or clinical research or even GMP analytical testing, opportunities are equal across the board. We also see that the outsourcing has increased across the globe for all these kinds of services.

So I won't be able to give any margin breakup because that's not something that we share. But I can just say that whatever margins we are experiencing now are very good margins, even by global standards they are very high. So in the future, you can expect that we maintain them, plus/minus a couple of percent.

Ajay Surya: And ma'am, on going forward, like, which service category, like, is it going to be more of analytical, preclinical or clinical, which is going to drive future for Vimta?

Harita Vasireddi: I would say all of them. Like I said, opportunities are there in all of them, and we are putting our efforts in all the major areas. So we want to grow in all the services.

Ajay Surya: Got it. And then one last question. Like if you can give the trend of consolidation in the industry which we operate in. And going forward, like, the growth for this -- our industry is dependent on like will it be more manufacturing that happens in the pharmaceutical sector, which will mean more business to us. Or is it going to be more R&D spend by these pharma companies, which will mean more business to us?

Harita Vasireddi: I think both manufacturing and R&D, they require services from a contract testing and research lab. So whether it is growth in manufacturing or R&D, I think there will be opportunities for us. But as such, I think they are little interrelated. Without R&D, there will not be a lot of manufacturing growth, I think.

Moderator: The next question is from the line of Lokesh Manik from Vallum Capital.

Lokesh Manik: Ma'am, my question was on the annual report. I saw that the exports have increased significantly from about INR80 crores to INR130 crores. So some color on that on the nature of which services do they pertain to. I'm assuming it's mainly pharma, within the pharma space. But within

that, which subdivision would it be preclinical, clinical or analytical and sustainability of this revenue from exports?

Harita Vasireddi: Exports have grown proportionate to the overall growth in business. And you're right, the export revenues are mostly from pharmaceutical services only. And the major services we are able to sell overseas are preclinical, clinical research and a little bit of analytical as well. And regarding sustainability, I would say that definitely sustainable, we would actually like to grow them.

Lokesh Manik: Okay. So they had seen a dip last year due to some slowdown, and then that recovery has come or this is on a secular trend that you are seeing going forward.

Harita Vasireddi: Yes. Sometimes, the global uncertainties had been there. Post COVID, I think those uncertainties in one way or the other have been hovering in the market. So when those things happen, there will be an impact. But when that happened for us in the previous years, I think the domestic market really picked up for us.

Moderator: The next question is from the line of Ashutosh Garud from Ambit PMS.

Ashutosh Garud: Okay. I just wanted to understand the kind of capex we have done in the last year. So with that, is the entirety of the capex available from a production perspective? Or is there any capacity yet to come on stream? So in that regard, what would be our capacity utilization level? And the next part, I would want to know is the maximum revenue potential with the given capex and gross block capacity which you have currently.

Harita Vasireddi: Okay. Number one was you're talking about capacity utilization. Like I said, our business is growing organically. What we have done is we have created infrastructure for future growth that will serve our growth for at least the next half a decade or so. So utilization will be organic because the business is growing organically.

As we grow our business, then there is space for us to use because the capacity for a laboratory is 3-dimensional: one is the space; one is the people; and the third one is equipment. People and equipment, you typically add as you need. But space, you cannot.

So once in a while, when you run out of your existing laboratory infrastructure space, you have to create a new building, and that's what we have done now. So capacity utilization will be organic. Coming to the revenue potential, again, very difficult for us to estimate, but we think this will be good for the next half a decade of growth.

Ashutosh Garud: And what could that be? I mean, what is the number from a space perspective? I understand the other two will get added as demand progresses. But from a space perspective, what kind of revenue you need not have incremental space? If you can share, that would be helpful.

Harita Vasireddi: It depends on the mix. Very difficult to put a number on that. Give me a year or so, maybe I'll be able to predict that more accurately.

Ashutosh Garud: And the other part of my question was, is there any capacity -- is there any new, from a production perspective, could we see? Because if you see last 3-odd quarters, we have been in that range of INR90 crores to INR100 crores kind of a top line.

Can we see a demand push, which is coming in the immediate future in the next 2, 3 quarters where we see this new capacity really picking up from a revenue perspective on a sequential basis also?

Harita Vasireddi: Yes. All the spaces that we have created, we have already started using them. We have brought in more equipment, and that is installed in these places. So utilization has begun.

Ashutosh Garud: Okay. And lastly, from a margin perspective, I mean, you have improved your margins quite dramatically in the last 3 to 4 quarters, which is quite commendable. So is there any downside risk for this margin profile, EBITDA margin of around 35%, which are extreme? Or are you comfortable with the kind of margins we are doing the exports, the proportion growing and the kind of business mix which we are getting into? So your comments on that.

Harita Vasireddi: The margins, what we have are excellent right now. But like I said, there's a lot of capacity that we have added, and with that comes a lot of maintenance also. And we are also redesigning some of our labs. So there's a cost to that, which we will spend on. So in that aspect, we can expect the margins to come down a few basis points before, it is stabilized.

Moderator: The next question is from the line of Ankur Kumar from Alpha Capital.

Ankur Kumar: Congrats for a good set of numbers. I wanted to understand on the growth front. As in we had said that this year's exit quarterly revenue would be around INR120 crores to INR125 crores types annual run rate of INR500 type. Are we sticking to those numbers? And on margins that you said, we expect to -- even to reduce little and then come back again. So how much reduction are we expecting? And by when?

Harita Vasireddi: Margins might reduce by 1% or 2%, and this could happen in the coming quarters or the coming couple of years. Very difficult to predict, okay? And coming to whether we are on track with that INR120 crores to INR125 crores per quarter, yes, that's where our efforts are really being put, and we are striving very hard to reach that goal.

Ankur Kumar: Any color on the environment? How are we seeing good demand? How are we seeing things overall?

Harita Vasireddi: The demand is positive across all our sectors. Barring the little activity of environment that we do, demand is good.

Moderator: The next question is from the line of Vinayak Mohta from Axia India.

Vinayak Mohta: Congrats on a good set of numbers. I had a couple of questions. Just to clarify, first, you did mention that you have enough space now for the -- to manage the growth for the next half a decade, which means for the next 5 years. Is that right?

Harita Vasireddi: Yes.

Vinayak Mohta: Understood. And while I understand the quarterly variation on the margins because of the maintenance and other costs that are coming into the picture, but sustainably, be it any division of food, pharma or electrical, your inherent business margins are in the range of 35% to 36%. Is that a fair understanding?

Harita Vasireddi: Yes. They are upwards of 30% at EBITDA level.

Vinayak Mohta: Understood. And sir, just want to understand then from a competitive dynamics perspective, how do you see the industry evolving? Because given the kind of margins and the opportunity that you're seeing coming up, we remain one of the big players in the industry.

So how are you seeing the competitive dynamics shaping, especially given the fact that there's a trend of outsourcing of testing of different value chains, especially given the kind of opportunity India is bound to see? So just want to understand our capabilities and the competitive environment a little better?

Harita Vasireddi: Capability-wise, we are a 40-year-old organization. Our capabilities have been continuously evolving as per the market needs, and that will continue. We will continue to morph ourselves, evolve ourselves as per the needs of the industry.

A couple of trends that we are seeing is that a lot more laboratories are coming up in the market, in Indian market, and that is creating a cost compression. And what is also happening is because of the proliferation of more laboratories, there is a strain on qualified manpower also.

So far, India was an attractive proposition for the overseas market because of the low cost of manpower that we have or the low cost of infrastructure that we have. So this advantage might not be as good as it is in the past. Therefore, I think it's very important that contract research and testing organizations focus a lot on continuous innovation in creating efficiencies -- better efficiencies in the operations, maintaining their quality.

You see many companies have come, and they were more like fly-by-night operators. They couldn't sustain the rigor of regulations that are required in this industry. But across all these time periods, Vimta has stood the test of time. We have continuously evolved. We have continuously invested in optimizing our processes, making them more efficient, increasing the productivity of our people.

What we have done is we have, I think, been one of the front runners to invest in automation and digitization of our laboratories. Not only does this increase the efficiency, it also gives a lot of assurance on the quality of the processes. So these are some things that we do that keep us ahead of the others. We have never hesitated to invest. We know that to grow a business, you have to invest in it, and that's what Vimta has been continuously doing and growing.

Vinayak Mohta: Understood. And then so you talked about defense also growing as a very large opportunity in the years to come. How do you see the business mix evolving over the next 4 to 5 years? How do you see the mix at the end of maybe 3 to 5 years, especially given the kind of traction that we've been seeing?

Harita Vasireddi: We are optimistic. Can't exactly put a finger on what is the kind of growth that is possible because it's early stages for electronics and electrical testing. A lot has been happening in the geographies of maybe Bangalore or in the North around Delhi.

Hyderabad, we were the first private laboratory to set up an EMI/EMC. And immediately, we saw a response because we went and filled in the gap. And what will really help to grow this business is, again, tightening of the regulations or introduction of new regulations for various products by the regulatory agencies of the country and also increase in exports. Unless a country starts exporting, our experience is that the focus on quality is not that high.

So these two things have to happen. And for these two things to happen, the industry actually has to grow. The manufacturing has to increase. And I think there is a good government push, I would say, or a good environment that government is creating for these things to happen in the future.

Vinayak Mohta: Understood. And one last question. So whenever we are doing these testings for the pharmaceutical companies and whatever we'll be doing going forward, are these a mix of innovators and generic companies? Or how does the mix happen between the testing customers?

Harita Vasireddi: It is a mix.

Moderator: The next question is from the line of Basant Bansal from NBG Investment.

Basant Bansal: Just wanted to know, any plan to get into CDMO business?

Harita Vasireddi: Not as of now, sir, but maybe in the future.

Basant Bansal: Okay. So you are not ruling out this possibility. And if that be the case, then how much -- how do you see the growth potential in your existing business of research and testing? What is the growth potential you see for next few years?

Harita Vasireddi: CDMO business is actually quite wide.

Basant Bansal: Not CDMO, no, no. I'm not talking about CDMO business. Now we heard you, as of now, there are no plans to get into CDMO. So my next question is, what kind of growth potential you see into your existing business of research and testing?

Harita Vasireddi: I think we have been growing at a healthy CAGR during the last 5 years, and we hope to continue that. We want to give it a push because we have a goal to achieve this year. But I think year-on-year, if you are growing at that rate of 15%, anywhere between 15% to 20%, then you're growing at a speed that is double of the industry. So that's a good growth rate to target.

Basant Bansal: Yes, yes. Definitely, it is a good growth rate. And so there are enough headroom for that and there is a good visibility for that. Am I right?

Harita Vasireddi: Yes, yes.

Moderator: The next question is from the line of Pujan Shah from Molecule Ventures.

Pujan Shah: Ma'am, just wanted to understand. First of all, on the clinical trials, so we have -- we provide the service for Phase I to Phase IV. So how our unit economics work? So major spend or the major cost will be evolved for the Phase I trials. And eventually, as and when the molecule gets developed, our margins and our contribution to the expense decreases.

Is that understanding correct? So major -- our chunk of profitability comes when we provide clinical trials III, IV and initial expenses would be much more higher compared to the Phase III, Phase IV?

Harita Vasireddi: The margins for each trial, they actually vary significantly depending on the therapeutic area of the trial. So we are -- we know this in theory, we are yet to experience. The first trial that we have done was a complex therapeutic area. And therefore, the margins were good.

But in the upcoming days, the trials, we are open to do any kind of trial. So right now, our focus would be to build a track record in delivering good trials for our customers rather than focusing on per se the margins because you'll have to compete at whatever the market prices are.

Pujan Shah: Got it. In the biological segment, which we are planning to foray, so how are unit economics? So as you know that the biologics segments are much more crucial and much more have a deeper understanding compared to the molecular trials. So how we have been -- so can you just break up into unit economics or the expenses versus the revenue contribution, how it will happen, how the split will be there, if you can explain in a much more broader sense?

Harita Vasireddi: That's too nitty-gritty, sir, and that's also competitive sensitive information that I would not like to disclose.

Moderator: The next question is from the line of Sagar, an individual investor.

Sagar: Congratulations to you and the team on a very good set of results. I have 2, 3 questions. One is, I mean, a little more color on the capex. I was a little confused. INR90 crores is the capex for the current year. I mean, what is the breakup for CRDMO and other capex and the status of the JNPT food lab, ma'am, I mean, whether it stabilized the operations?

And thirdly, I mean, would you be comfortable to say, I mean, based on the capex that we've completed, the company's turnover can double from here in the next 3 years? That's it from my side.

Harita Vasireddi: Double in 3 years could be that. But again, given the opportunities, why not? I would say that's a possibility. The other thing was on JNPT food lab samples, yes, they have stabilized. They meet our expectations.

Coming to capex layout for this year, it's around INR100 crores is what we have declared. 30% of it will be for the contract research and development services set up for biologics. The rest will be capex, either to buy new equipment or replace existing equipment.

And also, like I was mentioning a little earlier, we are investing quite a bit on digitizing and automating our processes. So some expenditure is expected even in that direction.

Moderator: The next question is from the line of V.P. Rajesh from Banyan Capital Advisors.

V.P. Rajesh: Congratulations on a good set of results and the successful US FDA inspection. Just wanted to follow up on the EBITDA question. See, if you look at your margin, basically, 1 percentage point is roughly around INR1 crores. And given the growth that you are expecting in this year for the rest of the quarter for next year, wouldn't it be possible to hold on to these 35% margins?

Harita Vasireddi: We are going to try, but it's going to be a little challenge. Like I said, the new facility has come up. It requires maintenance. It requires people to maintain. And also prices are not going north in the market, but the cost of human resources is increasing year-on-year. So I'm not able to predict for several years ahead.

But in the next few years, we can see a little compression at the EBITDA level. But like I said, what Vimta is having are -- I would say, to the best of my knowledge, they are very good EBITDA margins, even if you compare with the global leaders. So even if it is a point or 2 reduction at EBITDA level, it is still very good, I would say.

V.P. Rajesh: Yes, so definitely they are excellent margins. I was just trying to understand the interplay between your increase in revenue and the ability to absorb the additional cost against that particular growth. So anyhow, all the best and thank you.

Moderator: The next question is from the line of Veer Vadera, an Individual Investor.

Veer Vadera: So my first question was, so what is your perspective on the competitive intensity within the CRO industry, particularly when we see companies like Syngene and Vida Clinical generating a significant portion of their revenue from exports? Whereas export contribution in our business is around 30%, as I understand.

And further, as per my understanding, research is primarily conducted abroad, while manufacturing is done in India. Given this dynamic, what are your thoughts on our position as a CRO in this context? And my second question was in earlier calls, you mentioned that LCGC is our vendor. So can you please tell what kind of services we take from them?

Harita Vasireddi: Okay. LCGC is a vendor for several things, right, from laboratory reagents to laboratory furniture. They have multiple things to offer. Coming to Syngene and Veeda, they are very different business models. Yes, we have some services that overlap with them, but it's not a like-to-like comparison.

And your comment on whether a lot of manufacturing is done in India versus R&D., again, depends again what type of R&D. The preclinical research, both the US and European markets, and even other countries, they are quite open to outsourcing them. And India is an attractive destination.

Likewise, clinical research, given our huge population and the strengthening of regulations, clinical research, also, India is a good destination. So manufacturing, yes, is picking up off late, but the trend to outsource different kinds of research and testing activities to India from overseas is not uncommon. It has been growing over the years.

Moderator: The next question is from the line of Aditya Chheda from InCred Asset Management.

Aditya Chheda: The export revenue was up by almost INR50 crores this year. What would be the key growth driver there?

Harita Vasireddi: Pharmaceutical services, mostly on the preclinical side, and a little bit on the clinical research and the cGMP analytical services as well.

Aditya Chheda: Does this involve a new client or a dedicated center for a new big pharma or this is the normal course of business?

Harita Vasireddi: There is a combination of different varieties of relationships that we have with our customer partners.

Moderator: The next question is from the line of Avinish Barman.

Avinish Barman: This is a question on tariffs. I mean, assuming there is some tariffs levied on the pharma sector, I just wanted to understand, like, how does that cost get passed on into the supply chain. I mean, do you absorb it? Or does -- do you pass it on completely to the customers? Or is it like a negotiation where partly you absorb it and partly the customers absorb it? That's one part.

And second part is since your clients are both generic and innovator companies, do your conversations differ when you're talking to a generic company regarding this versus to the innovator company?

Harita Vasireddi: The number of innovator companies that would be impacted by any high tariffs on India, I think, are negligible. So conversation difference is out of question. Coming to who will absorb the increase in tariffs imposed by possibly US, very difficult to answer that question. It's hypothetical. It's not happened. I think we'll take it when it happens.

Avinish Barman: Okay. Ma'am, what did you say about the innovator companies? Can you please repeat that?

Harita Vasireddi: No. I'm saying that what -- you were, I think, asking what the difference in conversations is we are having with innovator versus generic. But how many innovator companies are there in India?

Avinish Barman: Yes. Okay. So the innovators companies that are your clients, are these like global MNC pharma players, right?

Harita Vasireddi: They are not necessarily MNCs. They could be MNCs, but we also work with virtual companies or small companies. The size doesn't matter for us.

Moderator: The next question is from the line of Ajay Surya from Niveshaay.

Ajay Surya: Ma'am, if I look at our domestic revenue compared to last year and last couple of years, it has more or less remained flat or has degrown a bit. Ma'am, if you can highlight going forward, how do we see this trend? Because pharma industry on the domestic front has been doing significantly well, whereas our revenue has showcased a bit...

Harita Vasireddi: I think that -- a different way of looking at this….. there is no degrowth in the domestic business. It has not grown at the pace at which the export business has obviously grown. That's because our business in India has reached a mature level. We are working with a lot of customers here, whereas there's a lot more market to address when you go overseas. So I don't think we should look at this with any negative connotation.

Moderator: The next question is from the line of Pujan Shah from Molecule Ventures.

Pujan Shah: Just wanted to understand what are the differentiation of Vimta provide versus other testing facilities or other testing providers. So what type of capabilities or, you can say, the advantages our electronic company have to get tested by Vimta versus the competitor?

Harita Vasireddi: I think the USP of Vimta is the infrastructure, EMI/EMC infrastructure that we have created. They are top of the line. We have procured them from the best manufacturers. So the quality and precision of results that we give are highly reliable, helping our customers take accurate decisions on their products and also very confidently maybe trade with respect to their product.

The other thing is, like I was mentioning earlier, there was no other laboratory that was not attached to a government facility in Hyderabad. So we came in. And by coming in, what we could offer is a rapid service. Normally, with government organizations, things are a little slow. And there, we were able to add a lot of value to our customers.

Pujan Shah: Right. Even to understand this, the other thing which is like the capability of the clinical trials, what we have and the niche capabilities which we have built already versus the electronics segment would be much more into -- you can say more of a generic or a volume gain rather than there would be a qualitative aspects to be measured. Is that the right understanding to get a breakup for the electronics versus the clinical trial segment?

Harita Vasireddi: Yes. Electronics is definitely a volume game.

Pujan Shah: So -- but do we have -- so just wanted to understand if let's suppose for the next 2 years there is a surge in the electronics testing industry, so at what scale we can achieve, at what top line we can achieve from the current capacity of what we have done in the expanded capacity?

Harita Vasireddi: That kind of forward statement, we have stayed away from. We don't give individual service-wise numbers. I won't be able to share that. But I can tell you that there are good opportunities. And so far, we have grown well in electronics and electrical testing.

Given that we are only 3 years old, I think we have already installed a second chamber, which shows that we have utilized the capacities well from the first chamber. So these are all good indications.

Pujan Shah: I just wanted to understand one last aspect is that once electronic -- electrical equipment comes to the play, so let's say, for example, a company has developed a new product, so it is being tested for each device or it is being tested for the initial time when it has been launched just to have them certificate on the place that these are the critical things which need to be measured. So how these dynamics work on the electronics segment?

Harita Vasireddi: They are both kinds of requirements. Some products, wherever there is a regulation, they -- it's, I think, at the time of the release. And I think there is some periodic testing interval also prescribed by the regulations.

The other kind is for their R&D, when they're doing or developing their product, they are continuously testing these things to ensure that their product is of the desired quality and safety. And with respect to defense, depending again on the component, sometimes, they insist on every component being tested. So different varieties of testing requirements exist.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for their closing comments.

Harita Vasireddi: Thank you. Thank you all for joining the call today. I appreciate all the questions that have been posted. It was a pleasure talking to all of you, and until next time. Goodbye. Good day.

Moderator: On behalf of Systematix Institutional Equities, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.

(This document was edited for readability purpose.)