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)

Dear Sir/Madam,

Sub: Transcript of Q1 FY26 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 Q1 FY26 held on Tuesday, 12th August, 2025. 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

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Company Secretary and Compliance Officer
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“ZIM Laboratories Limited

Q1 FY‘26 Earnings Conference Call”

August 12, 2025

MANAGEMENT: **DR. ANWAR DAUD – CHAIRMAN AND MANAGING DIRECTOR -- ZIM LABORATORIES LIMITED**
MR. SHYAM MOHAN PATRO -- CHIEF FINANCIAL OFFICER -- ZIM LABORATORIES LIMITED
MR. ZULFIQUAR KAMAL – DIRECTOR-FINANCE -- ZIM LABORATORIES LIMITED
C.D MAINDE – TECHNICAL DIRECTOR -- ZIM LABORATORIES LIMITED
MR. ZAIN DAUD – INVESTOR RELATIONS -- ZIM LABORATORIES LIMITED

MODERATOR: **MS. DEEPIKA SHARMA – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the ZIM Laboratories Limited Q1 FY '26 Earnings 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 touchtone phone. Please note that this conference is being recorded.

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

Deepika Sharma: Thank you, Vishakha. Good afternoon, everyone, and welcome to the Q1 FY '26 Earnings Call of ZIM Laboratories Limited. We have on the call Dr. Anwar Daud, Chairman and Managing Director; Mr. Zulfiquar Kamal, Director of Finance; Mr. Shyam Patro, Chief Financial Officer; and Mr. Zain Daud, Investor Relations.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company face. May I now request the management to take us through the financials and business outlook, subsequent to which we will open the floor for Q&A.

Thank you, and over to you, sir.

Anwar Daud: Thank you, Deepika. Good afternoon to everyone. This is Anwar Daud speaking. I just wish to add that along with me, we also have our Technical Director, Dr. C.D. Mainde. A warm welcome to all of you joining us today for ZIM Laboratories Limited's earnings conference call for the first quarter ended June 30, 2025.

I trust you have had the opportunity to review our results and the earnings presentation available on the exchange. FY '26 has commenced in a period of both operational focus and external challenges. While we continue to advance our strategic priorities, the quarter also reflected softer order inflows in our innovation-led segment and the impact of an EU-GMP inspection. Let me begin by sharing some key performance highlights.

In Q1 FY '26, ZIM reported a total operating income of INR718 million compared to INR818 million in Q1 '25. EBITDA and PAT margins were impacted by lower top line and increase in depreciation and finance costs, resulting in a net loss of INR19 million against a profit of INR9 million in the same quarter last year.

Pharmaceuticals continued to be the cornerstone of our top line. The innovation-led basket comprising new innovative products and Oral Thin Films accounted for a lower share this quarter in addition to reduction in top line, primarily due to some deferments linked to geopolitical events in key markets in the Middle East.

During the quarter, our facility underwent an EU-GMP inspection conducted ahead of schedule in preparation for the launch of our Oral Thin Films product in Germany. The inspection concluded with two critical observations and a few major observations. We have engaged external experts and are on track to submit our corrective and preventive action plan by August 31, 2025. Post regulatory review and approval, implementation is expected to take at least six months. Our direct business presently, the exposure to the EU remains limited.

On the regulatory and filings front, our development pipeline remains strong with 12 NIP products in progress, 8 of which have been filed in EU and the remaining nearing development. Our focus remains on exploratory product filing across markets while deepening partnerships in key geographies.

In the quarter ahead, our priorities will be clear to close the EU-GMP CAPA process on schedule, sustain momentum in our base business and strengthen our innovation-led growth engine. While near-term headwinds persist, our diversified market presence, strong partnerships and disciplined execution position us to navigate these challenges and remain on track with our long-term growth strategy.

With that, I will now hand over to Mr. Shyam Patro, who will walk you through the financial highlights for Q1 FY '26 in greater detail.

Shyam Patro: Thank you, sir. Good afternoon to all our esteemed participants. Let me present the overall financial results for quarter one FY '26.

The total operating income for Q1 stood at INR718 million, reflecting a decline of 12.3% year-on-year basis. This degrowth was primarily driven by NIP orders not materialized due to the ongoing disruptions in the Middle East. Additionally, the contribution of the innovative products to the top line declined, impacting the supply challenges in the MENA region arising from the geopolitical instability.

That said, our income from licensing is steadily progressing. And this quarter, we reached a revenue of INR40 million rupees from NIP license. On profitability, our EBITDA stood at INR57 million rupees with a margin of 7.9%, reflecting a 36.7% decline on year-on-year basis.

The PAT came in at a loss of INR19 million rupees compared to the profit of INR9 million rupees last year, a margin of minus 2.6%. In terms of business mix, our Pharma segment contributed to around 78% of the revenue, while the Nutra contributed 22%, in line with our historical trend. The year-on-year drop in Nutra revenue was mainly on account of lower Nutra PFI business, particularly in the MENA region.

Our export contributed INR602 million rupees, a decline of 15.2% year-on-year basis compared to INR709 million in Q1 FY '25, driven by lower innovative product contribution and supply challenges in MENA. On the other hand, our Indian business recorded robust growth of 30.2%

year-on-year, reaching INR100 million, aided by higher value-added value institutional business.

The revenue contribution from NIP and OTF stood at INR46 million, comprising INR12 million from NIP and INR34 million from OTF, representing 6.2% of the operating income. Including license fees, the contribution stood at 12.9%. The licensing milestone payments from agreements of the innovative products across regions stood at INR48 million in Q1 compared to INR4 million in Q1 last year.

On the R&D front, the total of INR79 million was allocated in this quarter, focusing on product development, dossier upgrades and infrastructure. This includes INR19 million specifically for BE studies that is Bioequivalence studies and registrations to advance the innovative product pipeline.

During the quarter, we made a progress in NIP product development and filing with eight products developed and filed in the EU. Our pipeline remains strong, and we continue to strengthen our presence in RoW as well as emerging countries while we await further assessment regarding our entry into the European region. Thank you. With this, I would like to open the floor for Q&A.

Moderator: The first question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: My first question is, if you can give us some sense about the kind of observation we have on the two critical and eight major and whether the data integrity issue is involved in this or not? And on the same line, we have already cleared EU-GMP twice. So, in your view, what has gone wrong this time in terms of processes or infrastructure? And what do we need to do to kind of get back to that EU-GMP approval status? And what is the cost involved? What are the steps that we need to take in terms of CAPA? If you can elaborate on that?

Anwar Daud: Sure, Dhwanil, I think this question will be in most of the attendees mind. So, it deserves a good answer. So, none of the observations are on direct product quality issues. Most observations, including the critical pertain to documentation problems and to reliance on manual systems as judged by the inspectors who came this time. The last 3 inspections which we have faced, these observations were not there from the various inspectors who have come. We are trying to correct this in a phased manner through appropriate automation and electronic data handling wherever feasible.

We will be ready with the CAPA plan in a month, and we are confident that we will have the CAPA plan complete within 6 to 9 months. So that's the idea. So we have some alternate plans as well. As we proceed, we can brief you about the plan. We do have a robust emerging markets and RoW business, and we continue to obtain registration. At this moment, as I have already said, the EU business is not part of the equation for, we don't have, won't have that much of an impact this year. That's not, we don't foresee that. Maybe I hope to some extent, it can clarify the question.

Dhwanil Desai: Right, it does. So, what's the cost that you think we'll like to spend money?

Anwar Daud: It's mostly related to documentation. And of course, whenever you change your system of documentation and other things, definitely, there's a cost of training, cost of hiring consultants who will actually take the company through that process and purchase and implementation of the electronic systems, which will be procured and data management system. So that's not a very high cost because the questions were not on the facilities and the infrastructure that we have. It's on the excessive reliance on manual documentation as observed during this inspection, not before this.

Dhwanil Desai: Got it. Sir, second question is since now...

Moderator: Sorry to interrupt you, sir. I will request you to get back to the question queue for follow-up questions as there are several participants waiting for the turn. Thank you. The next question is from the line of Mohit Jangir from InVed Research. Please go ahead.

Mohit Jangir: Yes, Hi, Good morning. We had asked in earlier concalls whether EU and U.K. inspection was compulsory or due for us. But in the earlier concall, the view of the management was that we are already approved for EU compliance. So was it a surprise inspection from the authorities? And will we keep on getting MAs from them even if we are noncompliant, even from U.K.

Anwar Daud: Yes. I'll let Dr. Mainde answer this because it's a little bit of a nitty gritty here.

C. Mainde: This is Dr. Mainde, Good morning. U.K. is an independent entity and all submission after the Brexit are handled independently. So our U.K. program will not at all get affected by this inspection. However, we are, as Dr. Anwar, MD has mentioned, we will be ready with the CAPA. So that may not affect our actual financials for the EU business this year.

Mohit Jangir: Okay. Sir, my second question is on the near-term guidance. As you clearly stated that your base business will not be affected. So what is the kind of growth that you are targeting in FY '26? And will there be any reduction in R&D costs pertaining to this EU-GMP noncompliance because the filings will be reduced from our end?

Zulfiquar Murtaza Kamal: Good morning. This is Zulfiquar Murtaza Kamal, Finance Director. So the guidance what we are giving right now is on the base business, which will continue as usual, and that will not have any impact as far as the regular business is concerned. The upside of EU was considered in the second and third quarter, then there may be chances there will be some shift from that to the next year.

As far as the R&D cost is concerned, it will continue to be on the same lines. Our development and the filing will continue as per the same spending, what we are doing on the ratio in the previous year. Thank you.

Mohit Jangir: Okay. Sir, my last question is on when we are filing that CAPA and the time line by when we will be compliant again? Thank you.

Anwar Daud: It will take us 6 to 9 months from our side. Now it all depends on, because whenever you have this kind of observation, usually, there is a reinspection. It depends upon when coming for the reinspection and, after that, we hope as far as the plan will be accelerated because we'll keep filing, we'll keep investing. We have a strong pipeline as well. So there's a delay, but the story continues.

Zulfiquar Murtaza Kamal: Our filing will not get affected because we can file. Also, we are, officially, we are submitting the CAPA by end of this month. And as mentioned, within the next 6 months, we will get a reinspection. So that's our plan. So it is like that 8 to 9 months is a total time line for all activities.

Mohit Jangir: Okay, Thank you.

Moderator: Thank you. The next question is from the line of Gautam Gupta, an individual investor, please go ahead.

Gautam Gupta: Yes. I wanted to ask that this time, we can see an operating deleverage because of Middle East issues. So when can we see an operating leverage? I mean at what income level quarter can we see an operating leverage to play out?

Moderator: Kindly put your call on mute.

Gautam Gupta: I wanted to ask that this time we can see an operating deleverage playing out because of the Middle East issues that we have faced, thereby resulting in a decrease in top line. When can...

Anwar Daud: It's coming back to normal. It's coming back to normal. And in the next 2 quarters, we'll see the things evening out and come back.

Gautam Gupta: When can we see an operating leverage to play out at what income level, top line level can we see from being a generic player to a branded generic player, margins usually go up to 16%, 18%, 20%. When can we see that?

Zulfiquar Murtaza Kamal: I think we are not able to, we are, as far as the specific guidelines of the brand and the market mix, as of now, the base business is continuing. And as we have discussed, our EU-only business has been a little bit impacted of the second, from the third quarter onwards. It may be shifted to next year. As far as the base business and regular business will continue as a generic. The formulation business will be started basically in Europe and emerging markets, which will be as per the existing product mix, which is going on.

Gautam Gupta: okay**,** Thank you so much.

Moderator: Thank you, The next question is from the line of Deepesh Sancheti from Manya Finance. Please go ahead.

Deepesh Sancheti: Okay. Could you share the updates on the progress of the new innovative products, NIPs and their expected commercialization time lines?

Anwar Daud: Yes. So, we have been filing in various geographies. So RoW and emerging market is already ongoing, and we keep on reporting these milestones to you. The last milestone was receiving TGA approval for Tamsulosin + Dutasteride, one of our interesting products. I think years back. So that will continue. We are also, our partners are also filing in EU. What was the next question?

Deepesh Sancheti: The expected commercialization time lines.

Anwar Daud: Yes. Most, anyway, most of the commercialization, excepting for the commercialization in U.K. were to take place in the last quarter of this financial year, okay? That shifted by 3 to 6 months. In '26 is what we are looking at the commercialization to happen. As we've already given this guidance the last time, it stands. Some of the milestones are delayed by 6 months approximately.

Deepesh Sancheti: Okay. And what proportion of the revenue this quarter came actually from the recently launched products?

Anwar Daud: We don't give that minimal guidance actually.

Deepesh Sancheti: No, no, I'm not talking about the guidance. I'm talking about this quarter, whatever revenues we did, how much of it came from the recently launched products?

Anwar Daud: Most of existing products, which the company has been producing them. So they are part of the revenue mix in the last several quarters. So if you ask about the new or recently launched, no new product has been launched in this quarter.

They are being launched in new geographies. So that's a different question, and it has a different answer as well. So I don't have the mix with me, maybe in the next call, we can break that up for you.

Deepesh Sancheti: And are there any partnerships or licensing deals in the pipeline?

Anwar Daud: Yes, yes. Partnerships are continuing. The partnerships and the agreements are showing a strong traction. We are in discussing with various partners. They understand that the company has very interesting products, which can make a difference in their respective portfolios. We are in touch with them. Even during this period of the GMP inspection and everything, we have seen that the potential and existing clients have shown continued interest in the partnership with them.

Deepesh Sancheti: So even the setback of EU-GMP has not affected the clients or the other partnerships?

Anwar Daud: Yes. That seems to be the feeling, and that seems to be the, what should we call it?

C. Mainde: That is the trust of all our partners that even a little bit setback due to this thing. All our partners are with us, and we are continuing our EU program, EU U.K. program with them.

Deepesh Sancheti: So the guidance with the company and for the?

Moderator: I am sorry sir, kindly get back in the queue. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: If we look at our company, the kind of transformation we have been looking in the company was expected to largely come from the NIP products directed towards the EU market. With this regulatory issue, I think this has been significantly pushed back. When do you expect to start selling some of the products from the plant, let's say, FY '27 second half? Or when do you practically expect to start supplying these products from there?

Anwar Daud: This question has a different actually elements to it. You know that we already have a name. So, 6 to 9 months when the re-inspection takes place after that, we'll be in a position to be in the market and all our partners continue to support us. That's number one.

Then there are different methods of continuing business even in the EU and even in the other regulatory markets, such as shifting the products that already have MAs to alternate sites. We are also trying to look at those possibilities. We've already started speaking to different sites, which are EU and have other regulatory approvals as well.

There is a third opportunity where the products which are in short supply in some markets, if the partners so wish, they can obtain special permission to supply to special approvals for such products, and the supplies can continue if the partners are willing to trigger these kind of approvals. So these are the 3 kind of proactive measures that the company is planning to take, and we have received some positive feedback from some of our partners on being able to do these things with us.

Ankit Gupta: So are you referring to some of the products like pancreatic but for that, I think MA is yet to be received, right?

Anwar Daud: Yes. 105 days as per our calendar, 105 days response from the EU has been received. And hopefully, by end of this month, our response will be filed. And as the product has priority, it will not get affected to grant MA. That is for this thing. And our other program, as I mentioned in the beginning, that our U.K. program, as the U.K. is a separate entity from the Brexit, it will not get affected. So the product in the shortage will go ahead will go ahead. If we get MA, the marketing will be happened for that product.

Ankit Gupta: Sure, sir. Sir, second question was on our existing NIP plus OTF and the base business. So this quarter, we have seen significant pressure even on our NIP plus OTF product that we sell in our existing markets like India and Middle East. So what is the reason for that? When do you expect to come back to INR15 crores, INR20 crores of quarterly run rate on that front, as well as on our base business?

Anwar Daud: The geopolitical thing can be described in a little more detailed manner, just for everybody's understanding as well. There was basically a lot of these aerospace problems in supplying to the Middle East for some time. For a month, most of our PMI products actually go through air.

So, money transfer, availability of LG, as well as the airspace problems, existed for some time. The material was ready, but dispatch was not possible. So after that, things have started kind of easing out. And we have supplied some of the products which couldn't go in the last quarter. But it's ongoing. And we are looking forward to the compensation taking place in the next 2 quarters.

Ankit Gupta: So we should see improvement in the sales in our...

Anwar Daud: That's our expectation.

Moderator: Than you, The next question is from the line of, Rajat an independent investor.

Rajat: So, Dr. Anwar, I see like we are putting almost 7% to 8% of our revenue into R&D. And also, we are developing a lot of NIP and new products into the market. But still numbers are very weak. I'm not able to see any significant contribution of our effort into the revenue. So, could you please explain on that?

Anwar Daud: Of course, I mean, I'm sure you follow pharmaceutical companies, our products get developed over a period of time. We are only 3 years in the market. So, expenditure into these products have been there, and the development also includes Bioequivalence and registration filings. All these things take a time. There is a big cycle.

And we are nearing the maturation of that cycle for some of our products. In about 9 to 12 months, you will find products, everything going well, of course, you will find many of these products entering several markets, including the regulated one, hopefully. So, it's a cycle issue rather than any other issue because this is a company transitioning itself into regulatory markets and regulatory space.

As you must have heard Dr. Mainde speaking about 105, 108 days, 110 days, and then the reply. All these things take their own time. We are ready with the product, of course, but the filing and there are sometimes the queries require an answer where at least a month or 1.5 months is spent in providing more detail if they are required by the regulatory agency.

As you know, there is more and more, there has been more and more regulatory tightening all across the globe on all these filings. So it's not new to us. Unfortunately, for us, the entire the work that we have done in the last 5 years is just entering that phase of an interesting phase for the company. And we are waiting, and we have partners who also believe in us.

So it's not just the Laboratory, which is filing the products, the partners are also filing. Sometimes we depend on them to have their approvals in place, and then we have to depend on them to file the products.

Rajat: Thank you for the detailed explanation. And it's very heartening to see that we are getting so many approvals in the oxygen market, and I want to congratulate you all for them. That's all from my side. Thank you.

Moderator: The next question is from the line of Satyam Vadera from Profitmart Securities.

Satyam Vadera: Yes. Actually, I have a couple of questions. Which segment showed the highest growth in Q1, and what drove the performance? And my second question is, how did the export market perform this quarter compared to domestic market? Also, are there any new product launches or regulatory approvals contributing significantly in Q1?

Anwar Daud: I think the export formulation showed the highest growth. ODS business has shown a very interesting upward traction in export as well as in the institutional domestic business. Government business in general is showing double actually. So, all interesting things happening, NIP products are doing well in the domestic market as well.

Satyam Vadera: And are there any new launches or regulatory approvals that will be contributing?

Anwar Daud: Some regulatory approvals took place. We have reported them. PGA approvals have taken place. There are some approvals in the African and the Middle Eastern markets as well. But from time to time, we keep on disclosing these. So, I probably shouldn't take your time on that. We frequently come and make these things public.

Moderator: The next question is from the line of Rohit from ithought PMS.

Rohit: Hi, Good morning Just a few questions, sir. One was, we bought the MA for Tamsulosin from the Australian authorities. Given this EU-GMP issue. So, does that have an impact on the sales?

Anwar Daud: Dr. Mainde will give you an answer because we are taking personal care of this.

C. Mainde: Actually, if you see this is a very unique product, and the Australian government is very scientifically evaluated, and we got the approval here. Of course, we can say that a little bit 1 or 2 months, it can be affected due to this thing. But we are finding the TGA approved site.

Already, we are negotiating with them. So, we can transfer our product to that particular TGA-approved site, which will take 3 months for the approval. So, we can have a chance to market this product this year, maybe in the last quarter. That is what we are thinking in a very optimistic way.

Rohit: And sir, I mean just on the opposite side of this, if you were to take a rather pessimistic view, then what are the challenges on the other side? I mean, just to get.

Anwar Daud: The optimistic as well as the pessimistic view is that ZIM has filed this through its subsidiary, through its partner. The idea always was to license it to the right partner. Those discussions, even after we received the approval, those discussions were ongoing because there were 2 or 3 partners who were intensely negotiating with us.

That negotiation will be over in a month or 1.5 months. So, in that sense, we have not lost time because of any issues. And once those negotiations are over, whichever partner takes it up will need at least 3 or 4 months to prepare for the launch.

So, I think there is some loss of time in the product being in the market, but it's not a very large impact because, for this product in Australia because there were no agreements, and we don't have feet on the street in Australia. We always intended to out-license it. Now we'll be selling the MA after we conclude our agreement with the partner. And as I said, there are 2 or 3 partners already in discussion with us.

Rohit: Okay. So, if that concludes, then we have the option of manufacturing it from...

Anwar Daud: We are taking all proactive measures. I mean, we are trying to mitigate this. And I think we have that capability to mitigate these kinds of events.

Rohit: I think also in response to an earlier question, you said there are 3 options. One is you can transfer the site to an EU-GMP approved -for your other MA products.

So, sir this 2-part question. One is, is it something that our partners are telling us because we would -- I mean, they would have had their own plans of launching these products wherever we've got the approval.

Anwar Daud: So... See, if you see our filing and our partnerships have already been listed, most of the partnerships actually are quite decent. If you see once upon a time, the agreement would take place the moment the product was ready. But there would be co-development.

Now in Europe, the trend is for the product to be ready and even find when the partner becomes interested and start discussing the agreement with us. So, most of the agreements we have at this moment are in the last 3 or 4 quarters. And as these agreements are quite recent, the filings also are quite recent. They are not more than 6 to 8 months old.

Yes. So, they are ongoing filings. For example, the filing for Tamsulosin is about 1.5 years. So, it's a very early time at this moment as far as is concerned for the filing. And there's always a window.

And as Dr. Mainde said that there's an alternate site within 3 months, we can have as an additional site and continue to provide the product to the client. And there are other clients as well, if they are in a position to launch, although it's early, I would say they will take a little bit of time, excepting for the U.K. law, which could come this year, as Dr. Mainde said.

All other filings by the time the MAs come in, we would either be ready with our own premises successfully complied or we would have an alternate site side. If not us, then most of the agreements that we have signed, the partner also have their own preferred sites, and we are discussing with them.

C. Mainde: I would like to just mention one thing as earlier, Dr Daud has mentioned. We are writing a CAPA and we are very much confident that within the 8 to 9 months, we will come back because our deficiencies are not related to any product-related deficiency. They are just deficiencies that are related to the manual system of handling the documents.

That's all. So we have to just put that electronic this thing, electronic system. So it's not very serious thing, which you can see from the time to time, you can see that also in the progress.

Rohit: Okay. Sir, actually, my question was specific to the MA that we've already received and where the partnership is already in place.

Because our partner would have also made some arrangements, right? I mean, because you already had the EU-GMP, it was, one would have thought there would not be any issues. Of course, I mean there could be, I mean, contingencies are never known. So I understand...

Anwar Daud: That we have at this moment are our own MAs, which are, I don't know, last time many of the participants who are there also visited our site. This is a callback for that. We don't believe in being in, at this moment and being in Europe on our own, with our own MA and distribution system.

Obviously, we are so new that we don't foresee being there with its own MA and distributing the products. So there is no, there are very few MA, there is some Oral Thin Film MAs, which are obtained by the partner. There is no MA which I know of the NIP product, which partners because he is in a position to launch.

Rohit: No, for sure, sir. No, I understand that very well. And my only question was, sir, like if, let's say, Neuraxpharm, which we are partnering with, which you publicly announced.

Anwar Daud: Yes. They have shown an inclination to launch their product in the last two quarters of '26. Year '26. So that's the information we have. They are preparing a big launch strategy, but they will be launching it in the last two quarters of '26. Financial year '26. So probably they wouldn't have that impact.

Rohit: Financial year, which is Q3 and Q4 for us, right? Essentially?

Anwar Daud: Not all.

Rohit: So in that sense, that product does not have any impact as such.

Anwar Daud: Exactly.

Rohit: Got it. So from your...

Moderator: Sorry to interrupt you, may I request you to rejoin the queue for follow-up questions as the -- other participants.

Rohit: Yes. I ill join ma am. Thank you.

Moderator: The next question is from the line of Rohit from Samatva Investments.

Rohit: Good afternoon, sir, thank you for the opportunity a couple of questions. The first question, do we have any direct or indirect exports to Iran at this point of time?

Anwar Daud: We are exporting to several customers in the Middle East. So we are not, because of confidentiality reasons, we are not in a position to know exactly who is using because there are very large markets from Dubai. Like Yemen, like Iraq, Iran is also there. So we are not in a position. We try to verify as much as possible there. Of course, you know that under the Geneva Convention, and pharmaceuticals are not covered by any sanction anywhere in the world. All our exports are...

Rohit: Sir, how much Middle East as an overall in the basket, how much would that contribute to our revenue? And how much did we lose because of the air space being shut?

Anwar Daud: We are seeing some turbulence and disturbances, which are periodic and temporary. I don't think we'll lose anything because the business is quite sticky. It's the legacy business of the company, which has remained in all things. Middle East has been in this political turmoil not today only when the intensity has increased, but since the last 35 years.

So we haven't seen, because of the stickiness of the business, we haven't seen any decrease. We've always increased the business. We don't foresee any accepting for temporary disturbances, any permanent effect on the business.

Rohit: Sir, my second question is if, so this EU-GMP assume in a worst-case scenario, if we don't get it within the six to nine months, are there any penalties that we have to pay to our partners? Or are there any penalties if the EU-GMP doesn't come through?

Anwar Daud: They launch the product. There is hardly any product in the EU with the company hand. And at this moment, not only do we have a backup strategy to have our own MAs and other things, but, this is not something which is unique to laboratories, many companies get these kind of observations and they come out of it in due course of time.

Fortunately, our is not really infrastructural or quality related. So that's at least the positive side of it that none of these NIP product which are so complex to develop and supply are, those have not been shown to have any effect or quality issue.

So we are heartened by that because those were also, during the inspection, those were also touched upon and verified. So at least that story, I would say is very strongly there. And regarding the, I think I lost a little bit of my track there. What was the question again, please?

Rohit: Is there are any penalties on the -- because of the EU-GMP...

Anwar Daud: No. No. No. I was saying there are no penalties. All agreements have the clause for ZIM being able to supply from alternate sites. In case ZIM is not able to get a successful alternate site, then there are provisions on certain terms and conditions to provide the technology transfer to the partner to alternative sites of their choosing, which is also an option for them because that will trigger technology transfer fee.

So these are all opportunities. We are looking at all of them as opportunities, which can open up as time passes. At this moment, we are clear and very focused on getting the CAPA in place and implementing it. So CAPA is looking for alternate sites of our own where the product can be transferred with full confidence.

Rohit: Sir just the Middle East number, what is it as an overall percentage of our revenues right now?

Anwar Daud: 30%, approximately.

Rohit: And last year, what would be the number, similar?

Anwar Daud: Yes.

Rohit: Thank you sir, all the best.

Moderator: The next question is from the line of Shreya Chatterjee from Ageless Capital.

Shreya Chatterjee: Yes. I have just two questions. So one is when you mentioned about the two critical failures like that has been mentioned by EUGMP, and you say that it is all related to process and facilities, nothing related to product quality issues. So then why are they being classified as critical?

So if you don't get the approvals, like as you mentioned that you have a technology transfer, everything in place, so then what will be your guidance for your future product launch, especially the ones that have been approved, the four products that have already got MA.

C. Mainde: Yes. I would like to mention here that you mentioned that we have two critical. See, first of all, the critical observations are given where we need to have a go for the re-inspection. In our case, we are using a manual system for the documentation.

And in current GMP practices and all these things, manual system is accepted. But particularly at this moment, considering our lot of products going to the EU and a lot of critical product going to EU. The German auditors who visited they've taken a view that it will be better to have an electronic regulatory system.

So their major objections are to the data entry in a manual way. So that is the observation they given. So because this -- this is the observation, which can say that your data has to be electronically entered. We have not received any observation particularly to the failure of our product. We have eight products submitted to you. No observation regarding any product quality issues or any of the subsequent issue related to stability or logistics.

So that's why we had engaged an external consultant who has got extensive experience on this type of activity. So we are very much sure. And of course, another way this thing, every company in their tenure has some sort of such noncompliance for a short time. So this is a usual activity. Also you yourself mentioned that we are gearing, we are making a risk mitigation strategy where we are also getting it to another alternative side. So in the future, we will have a more robust system and which will not affect our financials in future. So we are already on that line now.

Shreya Chatterjee: So what is the alternative side?

C. Mainde: That we cannot disclose at this moment to you. Once we finalize everything, then only we can disclose.

Anwar Daud: The company is highly compliant, and we keep on making these disclosures as and when the time is appropriate.

Shreya Chatterjee: And sir, my second question is on, the Middle East business has always been quite volatile. Like last year also, we had seen that these issues take up in the first quarter results. And then you had mentioned that you are taking some strategies also like Forex management and all. So could you give a bit of highlight into those what exactly are

C. Mainde: Only in the first quarter, we have seen a little bit of traction. Things have been now sorted out. The second and third quarter, we are able to compensate everything. And on the Forex front, it is on the favorable side. So as of now, there is no major worry on that angle.

Moderator: The next question is from the line of Mohit Jain from Deven Choksey PMS. The participant has dropped out. I'll take the next question. So the next question is from the line of Jasmeen Kaur from Fortuna PMS.

Jasmeen Kaur: Sir, regarding the MA for the NIP products, we have, in EU, we currently have two, but there are many other filings that are there already in place. So with the current compliance issue that we are facing, sir, are the MA s time line also going to get affected? What is your view on that?

C. Mainde: I would like to tell you the grant of the MA is not at all affected by this inspection. The marketing, actually marketing of the product, sales of the product may get affected, may get affected, but not MA. MA will continue to grow.

Jasmeen Kaur: Okay. So for the balance NIP we can see the MAs coming.

C. Mainde: Yes.

Jasmeen Kaur: Okay. Sir, you also mentioned in a previous participant question that for Neuraxpharm partnership, we are expecting that the launch will happen in the second half of the current financial year. But ultimately, sir, the manufacturing

Anwar Daud: Calendar year '26. Calendar year '26.

Jasmeen Kaur: Calendar year '26.

Anwar Daud: Yes. They have actually postponed this by, they have already postponed it by 6 to 8 months because they have a big launch plan, but I think they were preparing for this. They have filed a few variations also in the MA. They are waiting for the variations to be approved. The MAs are there. They filed some variations on those MA as well.

Jasmeen Kaur: Okay. Because ultimately, the manufacturing of those will be in your plant only, right? I mean once they launch it.

Anwar Daud: That's right. That's right. It will be in our plant. Hopefully, we'll be in time to for their launch because the launch is a little delayed by them, not by us.

Jasmeen Kaur: Okay. Sir, one more thing on, say, your UAE partnership with global pharma, sir, how is that coming along? And how is that fair so far?

Zulfiquar Murtaza Kamal: Yes. So this is Zulfiquar Kamal. So the global pharma partnership is well within, going on very nice. We have already, they have filed around five products, and we have received the MA in their name and we have received the first order, and we expect it to complete the order within this month or in the second quarter.

Jasmeen Kaur: Okay. Sir, any quantification on...

Moderator: Sorry to interrupt you Miss Jasmeen. I will request you to join back the queue for follow-up questions. The next question is from the line of Mohit Jain from Deven Choksey PMS.

Mohit Jain: Yes. Sir, you mentioned in the last question that you had two critical inspection which was shown. And one you are saying that it's mainly because of manual data, which needs to be done electronic. This is one or both the critical information which has come over is regarding this only because that sound critical...

Anwar Daud: Both of them critical related to the manual, over dependent on manual documentation. Both the critical are actually dependent on that.

Mohit Jain: Okay, both. So my question is, my second question is on the follow-up on this. So if you need to reject the manual things to be done electronically, and I guess you'll also be hiring a few external experts and all. What would be your total cost in the next six months in terms of, if you could quantify it, just on the cost that would be spent just on rectifying these issues?

Anwar Daud: We have just started. But companies like us actually, we, every year, we invest in upgradation of our facilities and our infrastructure, our systems. This is something which because of the last three inspections, we thought was not that important for the inspector. But I think it will be in the budget that we already have. I mean we don't need any extra budget to any extra standout expense.

We have a consultant. We have always had consultants this time maybe this consultant will specialize in helping us in the electronic data and adopting. And in fact, in the end, it could result in some savings as the overdependence on manual system is reduced. Perhaps it would help to actually control the manpower and man hour which we spend on documentation would be reduced. So it could lead to some efficiencies as well.

Moderator: The next question is from the line of Sai Das an individual investor.

Sai Das: Actually, let me just ask this. So now you say that you can basically source your, those products that you have from third parties. I mean, assuming that you don't get the GMP on time. So once you, let's say, source it from third parties, do you need another kind of any kind of an approval, regulatory approval or once you source it, it can just go ahead? That's my question.

C. Mainde: Yes. Here, what we are doing, we are not going to any new party. We are going to the party who has already approval of that particular agency. Once the party has got approval for that agency, then we have to just take some technology transfer to that particular site. And we have to submit what we call the validation data.

Once we have submitted this thing, they generally approved the product. If we have not made any changes in whatever we grant, if we adopt same process, everything, it's a matter of 3 to 4 months only. It is not much variation but variation has to file.

And it is a minor variation of the site chain if the site is already approved by that particular agency. We have got the MA for Tamsulosin + Dutasteride from TGA Australia. And now we are finding out the site which has already been approved by the TGA.

So, this involves only the product transfer and that product is also sellable. Whatever the batches we take for the technology transfer, the batches are sellable. So, this is something which doesn't affect much of this thing.

Sai Das: Okay. Then can we say that these three to four months of data validation, which you are saying is going to be a minor issue, not an issue, minor process. So, this can basically blend well into our time lines since we already have a six-month time line to start our -- I mean supply for whatever supply blend...

Anwar Daud: Yes. It looks like that, although we are not giving that guidance as yet. We are saying we are delayed by 6 to 9 months. But the processes are, they come a little late. So probably in the end, we might end up with a few months loss at the most.

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

Sujit Agarwal: Sujit Agarwal here. And I just had two questions. The first question was related to the commercialization of tech transfer. Like how exactly will the commercialization work? What kind of, will we get a one-time fee? Will we get a recurring fee? Will it be royalty based? I just wanted to understand a little bit about that.

C. Mainde: Yes, I will just explain you. We are not transferring our product to anybody. What we are going to do, we will have a toll manufacturing or contract manufacturing arrangement. There are many facilities which are approved by the particular agencies, EU, TGA or MHRA, but they do not have any products. So what they does, they accept the product. And they charge the toll manufacturing fee or what we call the conversion fee, conversion fee. So it is the same amount what we are also incurring in the field for our manufacturing, slightly here and there will be there.

Sujit Agarwal: So like in terms of margins effectively, can we still generate like, let's say, like 15-odd percent EBITDA margin on this? Like, I mean, in terms of gross margin.

C. Mainde: We will look after in a different way. Our NIP product has a, we already give the scope of that. So it will not affect overall to the costing of the product.

Sujit Agarwal: Got it, got it**.** And just wanted to understand, the second question was regarding the fact that our H2 revenue has been deferred quite a bit. So like I just wanted to understand like year-on-year, like will we still have, will we still be able to achieve a revenue of, let's say, around INR380 crores, INR390-odd crores. And like how will the debt repayment look like going ahead?

Zulfiquar Murtaza Kamal: Yes. So as we have mentioned in the earlier part of the call that our revenue, the EU revenue upside has been pushed for the, in the next year, next financial year. The rest of our base business remains the same. The overall guidance remains the same as far as the base business is concerned, and we will be able to achieve similar growth what we have achieved last year on the base business.

And as far as the debt repayment is concerned, we have already, the gearing is much under control. It is around 0.47 that is 47% of the equity. And the DCR again remains the same. It is around quite comfortable. And we have been able to do the commitment for the revenue repayments for the coming year with the last year basis with similar growth.

Moderator: The next question is from the line of Rohit from ithought PMS.

Rohit: Yes. Sir, just two questions again. So one was on Mr. Kamal sir's statement just now. So sir, last year, we saw some degrowth in the base business. So like we did around INR305 crores, INR306 crores ex of the OTF and IP business that we had. So do you see those kind of levels this year? Or do you see a growth on that given whatever challenges you've seen in Q1?

And sir, second question on the EU. So I think one part of our strategy was that we will use the MA in other markets also, which is what we did last year around INR70-odd crores of revenue. So how do you see this year, excluding Europe, which is delayed by, say, two quarters or so, how do you see that business, which we did INR70-odd crores in the first financial year 25? So what is the growth how are you thinking...

Zulfiquar Murtaza Kamal: No. So the NIP product business for other than EU market that is in the RoW market will continue as it is. And there is also some growth in the base business as well as on the NIP business from the other emerging and RoW markets. As we have already mentioned in the previous calls that we are filing our NIP products in other markets.

So that market, they are not directly dependent on EU supplies and we can have a specific country-wise inspection, which is already there, and we can supply the goods to other markets, except the EU part. Only the EU upside has been postponed. The base business and the NIP business in RoW market have strong, we are getting the strong signals, and we'll be able to continue to supply there.

Rohit: And sir, on the base business, how do you see that ex of NIP in the RoW markets?

Zulfiquar Murtaza Kamal: It will start picking up from the Q2, and we'll be able to give the exact guidance post H1.

Rohit: Okay sir, Thank you. All the best.

Moderator: Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for closing comments.

Anwar Daud: Thank you for the opportunity to be able to present our report. And I think we have answered and we look forward to your support in the coming months as well. We remain confident on the product and the overall strategy that we have. Maybe a little bit of delays due to the inspection as well as some geopolitical reasons.

But this is part of every organization's journey as well. In general, there is no market which can be called stable at this moment, including the regulated market. So it's something which every business, every pharmaceutical business as well as the non-pharmaceutical businesses are facing.

As an organization and as a country, we remain optimistic about the results that we will be, and the performance that we will be able to deliver to our shareholders and stakeholders in the coming days. Thank you very much.

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