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 Q2 & H1FY26 Earnings Conference Call

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), please find enclosed the transcript of Earnings Conference call for Q2 & H1FY26 held on Friday, 14th November, 2025. The same is available on the Website of the Company at:

https://drive.google.com/file/d/1-SP2KtezbRR3h5wYXluumefaaKLX2opW/view

Request you to kindly take the same on your record.

Thanking you,

Yours faithfully,

For ZIM LABORATORIES LIMITED

PIYUSH SIDDHESHWAR NIKHADE

Digitally signed by PIYUSH SIDDHESHWAR NIKHADE
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"ZIM Laboratories Limited

Q2 & H1 FY '26 Earnings Conference Call"

November 14, 2025

MANAGEMENT: **DR. ANWAR DAUD – CHAIRMAN AND MANAGING DIRECTOR – ZIM LABORATORIES LIMITED**
MR. ZULFIQUAR KAMAL – DIRECTOR, FINANCE – ZIM LABORATORIES LIMITED
MR. SHYAM MOHAN PATRO – CHIEF FINANCIAL OFFICER – 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 ZIM Laboratories Q2 and H1 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 touch-tone phone. Please note that this conference is being recorded.

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

Deepika Sharma: Thank you so much. Good morning, everyone, and welcome to the Q2 and H1 FY '26 Earnings Call of ZIM Laboratories Limited. We have on the call Dr. Anwar Daud, Chairman and Managing Director; Mr. Zulfiquar Kamal, Director, Finance; Mr. Shyam Mohan Patro, Chief Financial Officer; and Mr. Zain Daud, Investor Relations.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company faces. 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 morning, everyone. This is Anwar Daud speaking. A warm welcome to all participants joining us for ZIM Laboratories Limited earnings conference call for the second quarter ended September 30, '25. I hope you have had the opportunity to review our results and the accompanying presentation available on the exchanges.

Let me begin today's discussion with an update on our EU-GMP remediation and CAPA implementation plan, which remains our highest strategic priority. As you can see from the CAPA progress chart in the presentation, we have made steady progress across key milestones over the past two quarters and are working on an aggressive target time line to complete the EU-GMP audit by March '26, with supplies expected to resume by Q1 or Q2 financial year '27.

We recognize that this certification is critical to unlocking value across our regulated markets. At the same time, we are taking proactive steps to maintain business continuity through alternate measures. These include reviewing orders from other emerging markets to broaden our certification base and ensuring access to additional markets.

In parallel, we have also initiated site transfer projects for select key products. For instance, we have commenced the transfer of Tamsulosin + Dutasteride, one of the products which were in late stages of submission to a PGA approved site with commercial supplies expected to start within the next 6 months. Similar strategies are being executed for Dimethyl Fumarate and azithromycin suspension as EU and MHRA-approved facilities to ensure uninterrupted supply.

While this may have a marginal impact on margins, it reinforces our business resilience. While in the interim, we may do site transfer for particular products for particular markets, our primary focus remains on getting EU-GMP accreditation, back and supplying products from this plant.

Moving to performance highlights. I am pleased to share that the Pharma segment delivered healthy growth both quarter-on-quarter and year-on-year, reflecting continued traction in our core business. However, overall revenue growth was moderated by a decline in our nutraceutical segment, primarily due to the deferment of some domestic institutional orders. We expect these orders to materialize in Q3 and Q4, which should support recovery in the second half.

Let me provide a summary of our performance for quarter 2 financial year '26. Total operating income stood at INR887 million, marking a 23.6% sequential increase, supported by stronger traction in our core segments. EBITDA improved to INR78 million with margins rising to 8.8% from 7.9% in Q1 FY '26, while PAT narrowed to a loss of INR4 million compared to a loss of INR19 million in the previous quarter, reflecting better operating efficiency.

The Pharmaceutical business continued to drive overall performance, contributing 83% of total revenue at INR732 million and growing 30.7% quarter-on-quarter. The Nutra segment accounted for 17% or INR155 million with decline primarily due to softer domestic demand, where revenues moderated to INR38 million versus INR50 million in Q1.

Looking ahead, our order book for Q3 remained strong, supported by a healthy inflow of PMI orders and a gradual pickup in domestic demand. Based on our current visibility, we expect the '26 revenues to be in the range of FY '25 revenues broadly in line with last year.

And to summarize, we are navigating these short-term challenges with clear focus and strategic execution. Our near-term actions are centered on completing EU-GMP remediation, securing alternate certification and strengthening business continuity. The management team remains confident that these efforts will position ZIM for sustained growth and value creation once regulatory clearances are reinstated.

With this, I now hand over the call to our CFO, to give you an overview on the financials. Over to you, Shyam.

Shyam Mohan Patro: Thank you, Dr. Daud. Good morning, everyone. Total operating income for Q2 FY '26 stood at INR887 million, reflecting a 23.6% increase on a sequential basis. This moderation on a yearly basis was primarily due to continued delays in innovative-led segment impacted by EU-GMP suspension and slower order inflows in select export markets.

That said, our Pharma segment delivered a healthy performance during this quarter, contributing about 83% of the total operating income, while the nutraceutical segment accounted for 17%. The year-on-year decline in Nutra business was mainly due to deferment of institutional orders, though we expect the normalization will be in H2 FY '26.

Our export revenue stood at INR728 million, reflecting 21% sequential improvement, supported by better traction in our base business and steady execution across key markets. The domestic business contributed INR127 million, broadly stable compared to the previous quarters.

On profitability, our EBITDA for the quarter stood at INR78 million translating to a margin of 8.8% compared to 7.9% in Q1 FY '26. This sequential improvement was driven by better product mix and operational efficiency. The company reported a net loss of INR4 million compared to a loss of INR19 million in the previous quarter. In terms of business mix, the NIP and OTF portfolio contributed INR81 million for Q2 FY '26, while the licensing income for Q2 stood at INR29 million.

On R&D front, the company invested INR76 million during the quarter, primarily towards new product development, bioequivalence studies and regulatory filings. Our focus remains on strengthening the innovative product pipeline and accelerating filing activity across emerging and regulatory markets.

To summarize, Q2 reflected sequential improvement in revenue and profitability, supported by recovery in the base business, continued licensing momentum and cost discipline. Thank you.

With this, I would like to open the floor for a Q&A. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Divyansh Thakur from Finterest Capital.

Divyansh Thakur: Congratulations on the results. Sir, I wanted to ask what is the expected EBITDA margin trajectory for second half fiscal year '26? And for fiscal year '27, particularly considering site transfer-related cost pressures?

Zulfiquar Kamal: This is Zulfiquar Kamal. Sir, basically, the guidance, what we are giving for the future is normally for this year only. And guidance for the EBITDA and revenues is on the similar terms as we are not expecting the EU-GMP and the innovative product sales in this quarter. As you have seen from the Managing Director's deliberation, that the NIP product sales for the EU market will start from Q1 or Q2 from the next year. So there will be definitely impact on the EBITDA increase in the next year for which it will be too early for us to give the guidance.

Divyansh Thakur: Sir, following on that, what is the working capital intensity historically tends to rise in H2, right? So should we expect a similar trend this year?

Zulfiquar Kamal: No, the working capital definitely will be increased commensurate to the increase of the turnover. As of now, the ratios remain same, the inventory level and the debtors level are in the range of normal 78 days to 90 days as well as the debt and all remains in the same gearing. There is no further debt increase going forward.

Divyansh Thakur: Okay. Sir, last question. You also mentioned that proactive business continuity steps. Could you just quantify how much revenue you expect to safeguard through alternate certifications and site transfer?

Zulfiquar Kamal: See, that already we have mentioned all our NIP product and the EU-GMP product, the turnover for which we have already received the MA will come in the next year. The guidance of which will depend on the agreements that we have expected for the next year, and it will become accordingly, which will be reported once the business starts.

Divyansh Thakur: Okay. That's all my from my side. All the best.

Zulfiquar Kamal: Thank you.

Moderator: The next question is from the line of Shreya Chatterjee from Ageless Capital, please go ahead.

Shreya Chatterjee: My first question is a bit more details into the EU-GMP non-compliance report that is now available. So there regarding the two critical failures, one of them is stated as some fraud in the HVAC order -- HVAC building or HVAC log book, something of that sort. So could you please explain what is that? And what is the remediation plan going forward? And also, you mentioned that you are like strategizing to supply some of the products from an alternative side. So what's the road map going ahead, if you could just explain.

Anwar Daud: Shreya, thank you for the question. See, the report that we received initially was about the possibility to commit fraud. There was a manual book which daily -- actually where the engineers are supposed to give a daily record of the upstream and downstream pressure in the air handling unit, which applies to a core area, which is supposed to be written there.

So that was incomplete and there was a pen inside left behind by the technician. And for the next days or the next -- whenever you would visit again for the next reading. So certainly, we have tried to explain that there wasn't an intention to commit fraud is not fraud. And the interpretation of the intention to commit fraud was wrong, and we have done our investigation, and we have sent this investigation according to the -- forward to the authority as part of our CAPA plan and submission.

You know very well, this is a secondary observation on the overall process -- manufacturing process control because the core area also has technician recording the pressure, temperature and humidity, which was verified as being the right conditions for carrying out our manufacturing processes.

And during this inspection, no process and any manufacturing and operation area of this -- the company or no data as recorded by the company for manufacturing as well as other relevant factors, which affect the product quality was found to be deviating or having any concern. And there are some markets where after the company has provided the QRM and on the QRM

business, the product robustness and the quality robustness, the company has been allowed to start supplies.

Shreya Chatterjee: Sir, how confident are we that through the CAPA plan, we'll be able to get out of this failure?

Anwar Daud: Well, the CAPA plan has been accepted, and we are continuously working on implementation. We realize that many of these -- the question marks that are raised by different authorities are basically a result of overreliance on manual documentation. The company has instituted a switch over to electronic documentation where these kind of doubts are not likely to be raised during the remediation inspection.

We are on track, and I have given you the deadline when we expect this inspection to take place, okay? And I think because the kind of comments on which we have received our noncompliance are basically related to the manual documentation and some of it is related to culture that's easier. And probably, we are on the right track, I would say.

We have hired a domestic consultant, who is working with the company, Indian consultant, who is working for the -- with us to -- for the remediation, training. We have made suitable changes in our quality assurance function, training and other issues that we thought that would result in a good compliance culture.

We have also hired a consultant from Europe to help understand the way assessors would look at this and train and help the company in better management of inspections in the future. So that's our strategy. We are closely monitoring it. And at this moment, I would say 3 action taken reports have already been provided. CAPA has been accepted by the assessor and the 3 action taken reports have gone a long way in providing that comfort to the assessor.

Shreya Chatterjee: Okay, sir. Sir, my next question is that the inventory and receivable days have gone up a bit this quarter. And there's a component other current assets that has significantly come down. So if you could explain what is that other current assets? And where do you see the inventory and receivable days going forward?

Zulfiquar Kamal: Yes, ma'am. So the inventory days basically has gone from 83 days to 109 days. If you see the absolute terms, it has gone around increase of INR10 crores because we have already seen historically, the second quarter and the third quarter, we have got a robust order book, and we have to complete the order book and because you have seen that we are a little bit shortfall in the first half, so we have to compensate the sale in the second half.

Already orders are received and the inventory are in place, and we are able to -- because of the GMP audit, some manufacturing activities were delayed hampered. Now everything is clear. We are set to increase that -- do the sales in the second quarter and the third quarter.

Anwar Daud: So we are expecting a moderation on the inventory and other areas in the third and fourth quarter.

Shreya Chatterjee: And sir, what is the other current assets that has declined...

Moderator: Sorry to interrupt, Shreya. The next question is from the line of Deepesh Sancheti from Maanya Finance.

Deepesh Sancheti: My first question was that Pharma grew 30.7% Q-on-Q, but Nutra declined. Would you expect Nutra demand to -- when do you expect the Nutra demand to stabilize? And are institutional orders fully expected in Q3 and Q4?

Anwar Daud: That's right. I have already made the statement. And we have an order book, which is indicating that the domestic demand and the export demand for Nutra, product -- which are legacy products for the company, they will all revive going forward.

Deepesh Sancheti: Right. And could you provide more clarity on the key remaining CAPA actions? And whether March 2026, as you mentioned, remains a firm time line for EU-GMP audit?

Anwar Daud: This is our expectation because we will be really having taken care of the various actions which are required to be completed before the inspection can take place. You know very well that it depends upon the authorities. And we certainly think that this would happen in March for a very simple reason that some of the products that this company makes are strategically key for the markets as well.

And there is an acute shortage of products like, for example, Pancreatin in these markets. And looking at the shortage, we feel we can make a compelling case to the authorities to come earlier. The earlier moment when we feel that we are satisfied with the CAPA remediation has taken place to a point where the infection would show that company has made a very positive progress on all the areas of concern, which had been raised in the original audit.

So from our side, we are making all efforts. There are several remedies available to the company. If the agency delays for some reason, another country where another member of the union where the product is in acute shortage could be requested to come and visit.

So there are many avenues for the company to go for an accelerated remediation visit. But at this moment, we feel confident, and we have been given that -- from our clients as well, we have been given that indication that our inspection would not be held up for any reason, including the reason of any calendar being blocked because of the severity of the shortages of some of the products that the company has filed for.

Deepesh Sancheti: Right. And now have we appointed any third-party consultants? And what are the major areas where the -- sorry, you can answer that.

Anwar Daud: No, I think you'll lose 1 question. So major areas?

Deepesh Sancheti: What are the major areas where the auditors have highlighted the gaps? And have any re-inspections or interim reviews being planned?

Anwar Daud: Yes. So we have done 2 things. There is 1 consultant, who is an expert in remediation and on data integrity and their team is Indian, and they come with a lot of experience of working in large Indian companies and working for remediation for many large well-known organization, which I'm not at liberty to disclose on their behalf. And they are working continuously with the company to address the CAPA concerns, which were raised through various observations, critical as well as major.

So three actions taken reports have been submitted with their help. And we have also hired, taken on board a European consultant, who is oversighting these actions by the Indian consultant. The third thing, which we are doing is we are re-digging and making -- strengthening our QA team, so that our QMS and all other things, which were observed by the auditor are much better addressed in the remediation inspection and all other inspections going forward.

And the overall culture of quality consciousness is the kind of improvement, which is desirable -- which are considered as desirable by the auditors. Regarding what issues were addressed, I have already spoken on that. I think in one sentence, the issues were suspicion of certain wrongdoing based upon the inspection of manual documents, which are manual documents and e-books, which are secondary in nature.

Some deviations on practices, which should -- which were part of our old QMS. But these were more of a secondary and supportive nature. The basic quality management system of the company, which takes care of the conditions of manufacturing and assuring its integrity and therefore, the data, which is there to prove that all the products are manufactured, keeping all the quality safeguards in place and tested also ensuring all these quality safeguards has not been commented on.

It's basically some practices. We think that if we can improve the culture to the point where even these tertiary observations are not held in doubt, and we are doing that certainly. And also, we are taking steps now to shift many of these manual documentation e-books and books and others to electronic data, which will be self-recording and therefore, the inspector will not be able to doubt because there are many systems and software which automatically record these things.

So there will be -- which have the CFR21 compliance so that whatever is recorded on a certain day has the fingerprint and authentication of having been done on that date and at that time and all the things which are recorded, actually, there are many devices which record by themselves, the temperature, humidity and all those kind of conditions, which can cause some kind of doubt when an assessor sees a manual notebook.

So it's more a problem of manual recordkeeping rather than bad practices in our company as this is what we have -- the explanation we have provided in our action taken reports to the authorities, and they have accepted the CAPA.

Deepesh Sancheti: Right. Now the promoter holding is pretty low. I mean, 33% it is...

Moderator: Deepesh, sorry to interrupt. The next question is from the line of Prarthna from Neo One Advisors.

Prarthna: I just have a couple of questions. One is your innovative INP and OTF businesses were impacted due to the EU-GMP suspension. Could you quantify the revenue loss or deferment due to this?

Zulfiquar Kamal: No, ma'am. There is -- we are -- the policy of capitalization and WIP is very prudent as followed by the industry norms. We don't see any capitalization or something of our intangible assets because we are complete -- getting the MA. MA process is going on. And whenever the MA comes, we capitalize the intangibles. And then within 3 years of the received, we are able to amortize it, and we don't see any -- if I would something like that.

Prarthna: Okay. All right. The next question is with 4 new marketing authorizations received this quarter. What is the expected commercialization time line for this product?

Zulfiquar Kamal: Yes. So the market authorization, what we have received from the -- other than EU, we are on the process of commercialization. It usually takes around two to -- three to six months after getting the MA and for the parties to launch the product.

Anwar Daud: We have received two marketing authorizations this year, 1 from TGA and 1 from MHRA. And we have quickly taken steps to shift the product to different sites and have had these discussions with the authorities. And as both the products are in short supply, we hope, although we have not made it -- we hope that we will be able to start supplies in the last quarter or the first quarter of the next year.

And we are shifting these products as a support to our clients. And as part of the policy that we have to different sites, which have already been audited by the company. And these transfers are -- as we speak, these transfers are under process.

Prarthna: Just one last question. What structure changes are you seeing in the Nutra customer base pricing, competition or order cycle elongation?

Anwar Daud: We don't think ZIM's Nutra product will be impacted because we use the same technology or similar technology to the ones, we have for making our other complex generics, and we apply these technology platforms into the Nutra business. So it's equally complex. And for what we do, we don't see the kind of crowded competitive space, which is -- which exists for other Nutra players.

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

Rohit: So just two questions. One is based on this report, are our future MAs or our existing MAs -- can we file future MAs? Continuously file...

Anwar Daud: No, the future MAs cannot be filed. Fortunately, we have 2 types of activity for filing. One was the MA that can be filed and the products are off patent. So those are -- the filings continue, and

we are -- we continue to receive the queries and other things from assessor. And there are a few products which we're going to go off patent later on in 2027 and '28. So a little bit of delay there of 3 or 4 months in filing does not impact the overall filing strategy of the company.

Rohit: Okay. And I think you mentioned you've got an MA from MHRA. Did I hear it right? Because we were -- is this for pancreatin?

Anwar Daud: Sorry.

Rohit: Is this for pancreatin, sir?

Anwar Daud: No. For another product.

Rohit: Okay. And what is the status of the...

Anwar Daud: MA has been received by the clients. And as you know we are -- we out-licensed the product. So the MA has been received by the client in MHRA. It's been received for -- have we done the disclosure? Dimethyl Fumarate. On the basis of the MA, which had been earlier received before the inspection by the company in Portugal.

Rohit: Sir, this was when? This is post the GMP audit?

Anwar Daud: Last year. Before GMP audit, and now this MA has been received post GMP audit.

Rohit: Yes, that's what I was asking. This is post GMP audit, right?

Anwar Daud: Yes.

Moderator: Yes, if have a follow-up question please rejoin the queue.

Rohit: Yes. I have a follow-up to this question. So if I can just complete and then I will join back. Sir, on this MHRA, on this MA, we also were in final stages on pancreatin. So what is the -- any update on that?

Anwar Daud: Yes, it's ongoing. We are giving replies as they are coming from different member countries, and that's ongoing. So as I said, the process -- the filing process continues. That's not being stopped.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand when we say that for FY '26, our revenue and EBITDA would be similar to what we did in FY '25, that would mean a 30% jump in our EBITDA during the second half. And sir, with the new innovative products on the OTF products sales being subdued. Sir so, can we expect still to make those kinds of margins and EBITDA in H2? Or that is just kind of an aspiration and will try to reach till wherever we can?

Anwar Daud: Well, we already had a business plan, Madhur. And the thing is historically, we have done about 35% to 40% of our business in the first half and the remaining business in the second half. So that's another point to make. Also, we already have orders in hand, and that gives us the confidence to be able to inform you that probably, we'll do as we did the last year based on the orders that we have and the expectation. So all -- it's a mix of different things that we have, which gives us the confidence.

Madhur Rathi: Got it. Sir, so are we seeing margin improvement and revenue jump in our base formulation business as well?

Zulfiquar Kamal: If you see the last year also, in the previous year and the current year, we have the contribution of regulated market product was not that significant as MA was not received. We had expected an MA receipt this year, which we have postponed for the next year. So the similar business will be what we have generated last year will continue.

There is very less impact on the -- of the EU-GMP inspection on the existing business and what our MD has said that Q1 and H1 and H2, normally, the H2 is good because we expect government orders to come in H2. And most of our clients' order we received in H2. For that only we have built our inventory and orders in hand. So we are a little bit confident that whatever guidance we are giving that year ending will be similar to the last year, we stick to it, and we hope that we'll be able to achieve it.

Madhur Rathi: Got it. Sir, just a follow-up question. Sir, if you could just help us understand what would be the top few products on our base core business? And sir, was this business in a -- like it hasn't grown a lot previously. Sir, so what gives us the confidence that this business is growing? Is it that competitive intensity has reduced? Or is it something else?

Anwar Daud: No. I didn't understand your question.

Madhur Rathi: Sir, I'm relatively new to the company, so I wanted to understand that what would be the top few products in our base business that we mentioned the Pharma business, excluding the NIP and the OTF products. So what would be the core few products of that business? And sir, what gives us the confidence that this business...

Anwar Daud: We normally don't give out these numbers. I mean, we -- as a policy, but definitely, we provide enough material in our investor presentation, which gives a fair idea of how the strategic thrust of the company is working. So in terms of dividing the business between Pharma and Nutra, in terms of dividing the business between NIP and the conventional business, in terms of dividing the business between the PFI and the formulation business, all those information -- all that information is certainly available, because there are certain elements to this information, which are confidential in nature.

We work with many clients who -- with whom we have confidentiality agreements. So we are -- we observe all those things. And I think the more relevant is the -- whether the more relevant

is, whether the strategy of the company is working or isn't working. So I'm happy to inform you that the NIP products are -- even though we have some certain hurdle, temporary impediments in being able to capitalize on our NIP products in the regulated markets to some extent because we also told some redeeming feature where we received the MAs and might be able to have a quick supply situation in the coming 2 or 3 quarters.

But the NIP products are also getting approved in different other markets, which might contribute to a little better outlook for the margin and other things as those registrations come in.

Madhur Rathi: Got it. And sir, why were the NIP and OTF products impacted during H1? Because currently, we are not selling it to the regulated market. So were the customers -- whatever customers in the emerging markets or rest of the world market that we have, sir, did they delay this business during H1 because of the audit?

Anwar Daud: So there was some effect because of the audit because we needed to assess and previously consider whether the observation that has been noted given by the auditors, whether they would actually attract some -- any quality-related issues for all the offerings that we make. We have the same plant where we send to every area in the world, not only the regulated market.

And therefore, certainly, there were some orders which were not executed as a matter of prudence, even though there were order and other things. So now slowly only one by one, the orders are being executed and there is the robust order list as well.

So that's how you see the second quarter moderating. And the third quarter also, we will -- you will see the results of the other parts of the ZIM story playing out like having about 60% of the business in the second half. All those things will -- and we have very transparently given the reasons also. Mr. Patro read out his speech, I think he spoke about -- Mr. Patro spoke about the reasons for not having the kind of business, which we had in the corresponding quarter of last year.

Moderator: The next question is from the line of Jasmeen from Fortuna Advisors.

Jasmeen: Sir, can you elaborate a little bit more on the contract manufacturing for alternate sites that you mentioned in your PPT also? This is for Star product 1 that you mentioned. Sir, can you just tell us about the -- what is the journey to finalizing the alternate site? And is it right now only for 1 product? And also if you can add that is it for alternate markets? Or can you sell to EU from these alternate sites?

Anwar Daud: Yes, these automate sites are -- they possess the accreditation required for actually being able to transfer these products to 3 months of stability study or 6 months of stability studies as the market requires and introducing these sites as alternate sites in our dozier and to the authority after a prior discussion with them and the clients. So these are accredited sites, and we have those -- we have made those arrangements.

There are two sites and about 3 or 4 products. And they have existing accreditation, and they are primarily contract manufacturing sites with all the accreditation. They are manufacturing these products for several other clients as well. And sure, they will manufacture for us as well.

Jasmeen: Okay. But sir, right now, you are evaluating this only for 1 product. And also another question was, can you supply to EU, Sorry?

Anwar Daud: Yes. Yes, that's why. They have the accreditation. They have the accreditation for supplying to the EU, Australia. They -- because of that, they might get a faster access to MHRA. U.K. So these are the markets where we have signed the agreement for the products, which are going to be the first to come up with the MA.

Jasmeen: Okay. Okay. Sir, my second question is that, sir, for NIP, OTF products in the existing market, you have answered it in the previous participant question also. But sir, I'm still not very clear about it. So if you can maybe elaborate a little bit more. Sir, like Q1, Q2 FY '25, if you just talk of the NIP products, we did about INR15 crores -- INR12 crores to INR15 crores in each quarter, and which has substantially reduced in the current half year to just about INR1 crores in the first quarter and INR4 crores in this quarter.

I'm particularly talking about NIP products only. We were earlier also not supplying that much in EU. So what is leading to this decline, sir? And is this going to be for the remaining part of the year also? What exactly is the reason behind it, sir?

Anwar Daud: It's more -- it's more related to -- I would say it's more related to the order position. It's a more order position effect, okay? And you would see that -- all this moderating over the next 2 quarters.

Jasmeen: Sir, moderating means that it will be less.

Anwar Daud: Q1 and Q2, it is INR15 crores. NIP products is about INR15 crores of business in the Q1 and Q2. And the last -- including licensing scheme, was INR2.9 crores.

Shyam Mohan Patro: In Q1, it was INR46 crores, it went up to INR81 crores in Q2. So there is a constant improvement as well.

Anwar Daud: If you see the innovative product contribution page of the investor presentation, you will see there is a consistent progress.

Jasmeen: Sir yes, it is in the quarter. But as compared to last year, so Y-o-Y I was asking. Y-o-Y, there is a decline whereas in the last year also, there wasn't any...

Zulfiquar Kamal: Yes. So madam, there are basically, it is of 2 parties, who have been -- we have supplied in the last quarter and previous that. So they have -- the orders are in hand. The delivery schedule is of the third and the fourth quarter, and we hope to compensate it in the third and fourth quarter.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: So sir, first question was a bit regarding our margin. So as you're saying, we've hired consultants, and we are shifting to maybe more digitized. So that would also be coming with its own cost, right? So is that the reason also our margin is a bit more depressed than the lower turnover? Is that a fair way to look at it?

Zulfiquar Kamal: No, the CAPA plan and other things are mostly related to more -- some of the capex expenses. The margin have been declined due to the change of product mix and with the turnover, which has been a little bit less from Q1 in the H1 and a little bit reduction in our NIP sales. Otherwise, if you see the margins will remain constant going forward in Q3 and Q4.

And the expenditure on the fees, which has been said, it is not -- will not make much of an impact -- if you say if the impact is put on the yearly basis, it is not that much -- amount is not that big that it will make reduction in certain margin by the fees.

Darshil Jhaveri: Okay. Okay. Sir, and sir, when we say we aspire to come back to be able to give results similar to FY '25. So we mean in terms of like we did INR44 crores of EBITDA in FY '25 and first year, we are around INR10 crores. So we want to do INR30 crores of EBITDA in H2?

Zulfiquar Kamal: Yes. So just come -- if you want to understand the exact margin overall on the gross margin side, gross contribution -- the gross contribution has increased from 49.3% in the H1 -- from H1 '25 to 51% in H1 '26. So that -- as I mentioned, the margin impact is not that much. As far as the EBITDA is concerned, if the 60% sales comes in the H2, definitely keeping the fixed expenses constant and the operating cost constant, it will definitely improve the EBITDA in the H2.

So we hope that in the lines of the last year's margins and the gross contribution, we hope that we'll achieve -- we will be able to achieve the EBITDA what we have projected, what we are planning to do.

Darshil Jhaveri: Okay. Okay. Fair enough, sir. And sir, just wanted to know, like in terms of capex, what are we spending right now, like additional capex are we spending?

Zulfiquar Kamal: Yes. So all -- as we have mentioned in earlier calls, the capex have been now completed, whatever capex which we had planned earlier, there is a marginal increase due to around -- only of around INR5 crore on account of CAPA and around another INR5 crores to INR7 crores for completion of the balance capex, which is going to be completed for which we have already tied up our borrowings. And there is no much further increase on neither on the borrowing side or on the capex side, except for the CAPA implementation plan, which we have planned and approved from the Board of around INR5 crores.

Darshil Jhaveri: Okay. Okay. Fair enough. And just last question a bit more regarding the contract manufacturing where we are trying to get through. So that will be able to give us the margins that we are doing

in our normal business? Or how would that part of the business work like because we have -- it's not our own facility. So how would it look for us, sir?

Anwar Daud: Yes. There will be a marginal impact.

Darshil Jhaveri: But we could be able to still have double-digit margins, right? Like 10%, we can easily do from contract manufacturing?

Anwar Daud: Yes. Our margins will substantially because see, the contract manufacturing charges that are charged when you go to a third site. And there are also expenses that you make when you make in at your own site. So the difference in margin is the different of these two items, our own manufacturing charges against the margins -- against the contract manufacturing fees being charged by the contract manufacturer. So it's not substantial looking at the kind of products and the prices we have agreements for.

Darshil Jhaveri: Okay. Okay. Fair enough, sir. And just last question from my end. So I understand we are trying to get the remediation as fast as possible. So we are hoping that everything flows to our plan in FY '27. We can start with our EU as normal business. So in that case, how would FY '27 roughly look? So because will we be able to then go back to because despite having lower sales of EU, we are trying to match FY '25 figures, which is commendable in itself.

And our gross margins are also increasing. So FY '27, if all goes well, like should we be able to see higher margins and a substantially higher revenue? Is that like a fair way to look at it? Like we could be able to cross like 20%, 25% growth in terms of revenue and like margins also, like could be the best that we've ever performed. Like is that our endeavor, sir?

Anwar Daud: That's our endeavour.

Darshil Jhaveri: Okay. Okay. So '25 -- if everything goes well, 20%, 25% growth and like 14%, 15% margins, can that be possible?

Zulfiquar Kamal: That was earlier guidance we had given, and we are sticking to it. Only the time difference has happened. The delay of a little bit impact because of...

Anwar Daud: Three to six months.

Zulfiquar Kamal: Yes, within 3 to 6 months. So yes, we are -- already, we had given some guidance earlier after the -- when the EU sales will start.

Darshil Jhaveri: Okay. Okay. Fair enough. Thank you sir.

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

Sujit Agarwal: Yes. So I just wanted to understand, like regarding the debt number, like around INR120-odd crores total, is this the peak like considering working capital and term loan?

Zulfiquar Kamal: Yes. The debt includes a term loan of around INR66 crores and cash credit limit about INR51 crores.

Sujit Agarwal: Got it. So this is peaking out, right? Like some way or the other, we're going to start reaping the term loan going ahead, like incremental...

Zulfiquar Kamal: Yes, yes. Because like the year payback is the most, because no further capex has been restricted. Now the capex have been completed, whatever debt, which has been increased is there and now the term loan repayment has already started.

Sujit Agarwal: Got it. Got it. And I just wanted to understand regarding the MAs. Like I mean, we've been waiting for, let's say, 1.5 to 2 years regarding Tamsulosin, Pancreatin. So I just wanted to understand what's happening there? What is the indicative time line?

Anwar Daud: Submissions are ongoing. We have received -- actually, Tamsulosin + Dutasteride from Australia TGA where we are transferring the product to a different site which is TGA approved so that we can start the supplies there after 3 months or 4 months hopefully. So the Dimethyl Fumarate MA, which has been received in U.K., can -- the supplies can be started in the next few months going forward. The pancreatin submissions are ongoing.

There is a 210 days clock. So being a very strategic product under shortage and there are not many players in this product. So therefore, the authorities have had a lot of queries, which have been answered satisfactorily by us. And it's an ongoing submission. So whatever the -- by the time the MA comes in, there's some time, which the authority are taking for the MA. I mean, but it's in the same -- it's in schedule, there is no delay.

Sujit Agarwal: Right, right. And I just wanted to understand, like, I mean, like we have been audited like 3 years in a row, like what exactly went wrong in the audit that -- I mean, I just wanted to understand, like, for example, this was the first time a German auditor was coming to audit our plant.

Do different countries in Europe have different ways in which they audit our plant? I mean -- and like since it's so critical -- Europe actually is one of the most critical elements for ZIM to grow as a company. So I just wanted some understanding regarding the above.

Anwar Daud: Yes, it can -- see it has happened to the best of companies. An audit is how you actually take care and how you face your auditor at a certain time. And certainly, the best of organizations can be caught off guard and miss aligning them with the latest safeguards and become maybe they -- as you know, whatever we do in the end, it's like -- it's how you face as well. In the beginning, if you've been following this discussion and the questions from the beginning, you would know that I spoke about what was the question being raised.

And actually, most of our clients who know the audit has gone, have also spoken about -- and other auditors, we have spoken to have given -- have opined that perhaps some other auditor would not have taken such a serious view of what they observed. They would have taken it as a

major point, of course, because the failure to record things are not -- if you say that you're going to record and if you don't record, then it's a failure and some correction -- course correction is certainly required. But perhaps another auditor would have not said that there is an intention to commit wrongdoing or fraud, just because some documents are incomplete.

Sujit Agarwal: Got it. Got it.

Anwar Daud: Okay. During this audit, there was also audit of the products, other data that is relevant to the product and the manufacturing processes. And it was quite an in-depth audit because of how the auditor was looking at the systems existing in the company, but they did not find any observation or any significant observation on the product, the dossier, the product, the information that goes into the product dossier and the quality of the information, I mean, they have not committed on that, even though they did go into the depth.

Moderator: The next question is from the line of Ashwin Reddy from Investments.

Ashwin Reddy: So my first question is regarding the NIP and the OTF contribution. So in the last year, in Q1 and Q2, was there any significant part of the licensing revenues which came in, which kind of pushed up the numbers for you -- and which is not there this time around? Or is the difference is purely due to the let's say revenue' from sales only of the OTF and...

Zulfiquar Kamal: Yes. So it is because of the difference of sales. Two customers which have taken the material in the last year in the first H1, we are expecting their orders to come in H2 to compensate the same. There'll be some impact on the licensing fees. There may be chances, but we are already negotiating with the party and communicating with them, and we are hopeful that it will be on the same line what has been given earlier because these...

Ashwin Reddy: What is that in a couple of quarters, we should reach back to INR15 crores odd number. Is that a good thing to work with, INR15 crores?

Zulfiquar Kamal: Yes, because these are all emerging marketing products for this NIP sales. So we are expecting that we'll be on the similar line, which has been in previous year.

Ashwin Reddy: Great to know that. And my second question is regarding the base business. So whatever issues that you're facing in the past, one, are all those now behind us? And are we seeing steady growth from here in the base business? And secondly, in this, is the growth coming from the PFIs or for the finished formulation within the base business?

Zulfiquar Kamal: Yes. So the base business definitely earlier, we were facing some issues on the -- currency issues were there, which has been sorted out. The market has become more stable now, and we have been able to get the business, which has been earlier a little bit, there was some traction earlier. So we are again confident that our base business will grow both in PFI. And in the formulation front, our new MAs already for ROW market has started coming in.

So again, we are hoping that it will also have a positive impact on the revenues. So definitely, the base business, we are expecting in this year to be in line, which will be able to compensate the shortfall in H1, and we'll be able to achieve the last year's number in H2.

Ashwin Reddy: Got it. Got it. And regarding the EU compliance, so I'm sure your consultants would have given also an outside limit in terms of what can be the time line. So what is the outside limit in terms of time line? What is the worst-case scenario for you...

Anwar Daud: The consultant has given a time line to when the company would be compliant. The consultant, of course, cannot speak for the assessor, but we have been given that comfort from the assessor and the countries in which the MAs have been filed and the authorities there as well as our clients that some of the products being in severe shortage, perhaps this assessor would come in time or another assessor could be -- another country member assessor could be convinced to come and audit and see whether the CAPA has taken place within 2 or 3 months of this time line when we complete our -- to our satisfaction when we are -- when we can write to the assessor that yes, we are ready for the inspection.

Ashwin Reddy: Got it. Got it. So basically by Q4 is when the consultant has said that you'll be ready from your end? And...

Anwar Daud: Yes. We have put in a robust process of verifying whether the inspection, we are inspection ready because there is a consultant working with the company, inside the company, periodically visiting us and there is also a consultant who is oversighting this entire process from Europe, who will have several visits to the site and verify by -- on his own whether the steps that need to be taken to convince the authorities are, in fact, being taken by a team consisting of the in-house quality assurance unit the company and all the technical areas, personal working in all the technical areas.

And also the reports which are being submitted with the help of these consultants to the authorities are verified to be actually accurate on the action taken reports and the commitments that are being made and the compliance that are being made based on these commitments are on track.

So that's the question we are following. I believe it's a fairly robust system. I think 1 consultant working inside the company and another consultant oversighting this whole process and satisfying the authorities that all the steps that need to be taken are being verified twice, not once.

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

Rohit: Sir, most questions have been sort of answered. So just 1 or 2 clarifications. So you mentioned that in the next -- in Q3 and Q4, you expect NIP and OTF to come back to that run rate that you saw of around INR15 crores, INR16 crores that was pretty much the entire last...

Anwar Daud: That's right.

Rohit: And it will last for -- and this will largely be from your ROW markets?

Anwar Daud: Yes. ROW and emerging.

Rohit: Got it. And the last question was, sir from -- so Tamsulosin is the product that you are going first, right, with the contract manufacturer?

Anwar Daud: That's right.

Rohit: And so when do you expect them to -- when do you see this sort of hitting your sales, like Q4 or Q1?

Anwar Daud: Between Q4 of this year and Q1 of the next year because it depends upon actually, our filing with the stability -- short-term stability and for the acceptance by the authorities. Again, whenever an external government authority comes into play, you really -- you can make a guess, you can't say with certainty.

Rohit: Got it. And then post success, you will decide whether to go for Dimethyl Fumarate or both will be in tandem?

Anwar Daud: Sorry?

Rohit: I was asking about Dimethyl Fumarate then. So will that be following the same...

Anwar Daud: That pretty much, it will be done. It will be transferred.

Rohit: Dimethyl Fumarate will be the first one then, then followed by Tamsulosin.

Anwar Daud: Tamsulosin is being transferred as of this moment. We spoke about, and we'll also make a filing the moment the transfer is complete.

Rohit: Okay. So sorry. So maybe I'm confused. So you were saying, so once the transfer is done, then you expect the sales to happen in Q4 and Q1, right? Subsequent Q4 of this year and Q1 of next year?

Anwar Daud: Yes.

Rohit: And what is the thought process on Dimethyl Fumarate?

Anwar Daud: What is the?

Rohit: And what is the plan of action in Dimethyl Fumarate? You were saying Dimethyl Fumarate, you've got MA from MHRA or your partner has got an MA from MHRA. So like -- so how do we -- so how -- what is the thought process there?

Anwar Daud: The thought process is that we will actually sell in, there's an agreement with the client. The MA has been received on our dossier for buying him, and we will be supplying to him. I think he will be the first, second or third generic in his territory. So I think he's the second or third. So we believe it's a profitable product and a very important product for us.

Looking at the situation for Dimethyl Fumarate because we have a non-infringing process. So we are likely to be -- have a much better margin. And also a much better opportunity going forward because the originators patent is very well protected for the process.

And we have a non-infringing process, so less likely to be challenged.

Rohit: Got it. And where would be the manufacturing for this done from the CMO partner that we are identifying for Tamsulosin?

Anwar Daud: That is something we will disclose it at the right time. And at this moment, we don't think we would be talking about -- yes, at this moment it's not the right time. And because there's another customer all are involved. We need to have them all on the same page before we come forward and disclose this.

Rohit: Okay. And sir, just last clarification on this Dimethyl Fumarate. So do you see any sales from the semi-regulated emerging or EU markets in financial '25 -- sorry, '26?

Anwar Daud: Yes. We expect sales in coming half, the H2. We expect sales of these products in H2 as well. We have started receiving the permission for these products in ROW and emerging market. And we see that in the second half, there will be business with these products.

Moderator: Thank you. That was the last question for today's conference. I would now like to hand the conference over to management for closing comments. Over to you, sir.

Anwar Daud: Thank you for all your questions and interest in the company. We certainly hope, we wish things would have been a little better for all our investor fraternity and all of the investors, who have been present today. But we have always practiced the culture of transparently, and good or bad, we have come forward and always respected the opinion and given the information that -- the best information that we could give and be fruitful about it.

Certainly, we are conservative. I'm sorry that there is a lot of information that is not possible to provide because the company enters into confidentiality -- the business model is such that there are a lot of confidentiality-based agreements. But we try our best. And in our most transparent manner to keep our investors apprised of the developments in the company and I really appreciate the kind of questions and support that we always receive from all of you. So thank you. And over from us.

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