Zeal & Innovation in Medicine

Ref No.: ZLL/CS/BSE/NSE Date: 12.08.2026

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 FY27 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 FY27 held on Friday, 07th August, 2026. The same is available on the Website of the Company at:

https://drive.google.com/file/d/10Aoq9kA_1uW5a2xj5Nis7Yss4E-u-lkt/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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(Piyush Nikhade)
Company Secretary and Compliance Officer
Membership No. A38972

Zim Laboratories Limited

Q1 FY27 Earnings Conference Call

Event Date/Time : 07/08/2026, 12.00 Hrs IST

Event Duration : 56 mins 59 secs

MANAGEMENT DETAILS:

Mr. Zulfiquar Kamal

Director-Finance

Mr. Shyam Mohan Patro

Chief Financial Officer-Accounts & Finance

Mr. Piyush Nikhade

Company Secretary

Mr. Zain Daud

Investor Relations

Ms. Priya Sen

Go India Advisors

Q&A PARTICIPANTS:

1	**Rohit Balakrishnan**	: ithought PMS
2	**Dipesh**	: Maanya Finance
3	**Vishal**	: Individual Investor
4	**Nikhil Gupta**	: Vaayu capital
5	**Pujith Agarwal**	: Individual Investor
6	**Nishita Shanklesha**	: Sapphire Capital
7	**Rupesh Tatiya**	: Long Equity Partners
8	**Madhur Rathi**	: Counter Cyclical Investments

Moderator

Good afternoon, ladies and gentlemen. I'm Akash, moderator for the conference call. Welcome to Zim Laboratories Limited Q1 FY27 Earnings Conference Call hosted by Go India Advisors.

As a reminder, all participants will be in 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 * then 0 on the touch-tone telephone. Please note this conference is being recorded.

I would now like to hand over the floor to Ms. Priya Sen from Go India Advisors. Thank you, and over to you, ma'am.

Priya Sen

Thank you, Akash. Good afternoon, everyone, and welcome to the Q1 FY27 Earnings Call of Zim Laboratories Limited.

We have on the call Mr. Zulfiquar Kamal, Director-Finance; Mr. Shyam Mohan Patro, Chief Financial Officer; Mr. Zain Daud, Investor Relations; and Mr. Piyush Nikhade, Company Secretary. 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 the business outlook, subsequent to which we will open the floor to questions and answers. Thank you, and over to you, sir.

Zulfiquar Kamal

Thank you, Priya. Good afternoon, everyone. This is Zulfiquar Kamal speaking on behalf of the management team. I would like to warmly welcome you all to Zim Laboratories Limited Earnings Conference Call for the first quarter FY27. I trust you had the opportunity to review our financial results and the investor presentation, both of which have been made available on the stock exchanges.

Before I discuss our business performance for the quarter, let me begin with an update on the EU-GMP remediation process, which continues to remain one of our highest strategic priorities. As you are aware, our manufacturing facilities underwent EU-GMP reinspection conducted by German and Portuguese regulatory authorities during May 26.

The inspection has now been completed, and we are currently awaiting the final inspection report from the authorities. Based on the draft observations shared during the inspection process, we have already prepared a comprehensive corrective and preventive action (CAPA) plan and are ready to submit it

immediately upon receipt of the final report. Over the past year, we have made significant investments to strengthen our quality systems, manufacturing processes, and compliance framework.

While the regulatory process is now in the hands of the authorities, we remain confident that the extensive work undertaken over the past several months has positioned us well for a successful outcome. With the inspection now completed, we believe the company has entered the final stage of its EU-GMP remediation journey. Subject to the regulatory review process and the timelines, the successful completion of this exercise is expected to significantly strengthen our position in regulated markets and unlock meaningful growth opportunities for our innovation-led portfolio.

Turning to our business performance, the first quarter reflected healthy revenue growth, supported by continued strength in our core pharmaceutical business. Our export business remained resilient despite ongoing geopolitical uncertainties in certain regions, with exports contributing approximately 84% of our total operating income during the quarter.

Our EBITDA margins for the quarter were impacted by planned investments in the business. These included higher employee costs following the strengthening of our senior leadership team, increased utility, fuel and power expenses, and consulting costs associated with financing of our EU-GMP remediation program.

I am also pleased to share that our new innovative product portfolio and oral insulin business returned to a normalized level of contribution during the quarter, accounting for approximately 18% of our revenue. We remain confident that this platform represents our most significant long-term growth opportunity, and our aspiration remains to increase the contribution of NIP and OTF product portfolio revenue over the coming years.

Looking ahead, our priorities remain clear. We are focused on successful completing of our EU-GMP regulatory processes, expanding our innovation-led portfolio, strengthening our global customer base, and delivering substantial profitable growth. FY27 represents an important transition year for Zim Laboratories. With our compliance investments substantially behind us, strengthening leadership team in place, and our innovation pipeline ready for commercialization, we believe the company is well positioned to enter the next phase of substantial growth.

With that, I would now like to hand over the call to our Chief Financial Officer, Mr. Shyam Patro, who will take you through the financial performance for the quarter in greater detail. Over to you, Shyam. Thank you.

Shyam Mohan Patro

Thank you, Mr. Kamal. Good afternoon, everyone. Let me now take you to the financial highlights for the first quarter ended 30th June. The earnings presentation has been uploaded on the stock exchanges, and I would like to request investors to refer to it alongside my remarks. For the first quarter FY27, the

company reported total operating income of approximately INR 942 million, representing 31.2% YoY growth. EBITDA for the quarter stood at INR 34 million, translating into an EBITDA margin of 3.7%. Profit after tax for the quarter stood at minus INR 40 million compared to minus INR 19 million in the corresponding quarter of the previous year. Exports continue to account for approximately 84% of our total income. The NIP, that is Noble Innovative Products, and OTF, Oral Thin Film portfolio, contributed approximately 18% of the total operating income.

The total debt stood at approximately INR 145.2 crore as on 30th June 2026. We remain focused on improving operating cash flow, optimizing working capital, and managing leverage. The company invested INR 82 million towards R&D during the quarter. Overall, the first quarter reflects an organization investing for long-term growth and maintaining healthy business momentum. With that, I would like to open the floor for questions. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on a telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. The first question comes from the line of Mr. Mahesh Tolani from Goquarter. Please go ahead, sir. Mr. Mahesh Tolani, you can go ahead with your question.

As there is no response from Mr. Mahesh, we are taking the next question from Mr. Rohit Balakrishnan from ithought PMS. Please go ahead, sir.

Rohit Balakrishnan

Good afternoon, and thank you for the chance. So, just a few questions. I think this quarter, when I compare this quarter versus, let's say, many of the last Q1s, let's say, from FY21, FY22, this is probably one of the highest. In terms of the business momentum, how do you see it, sir, for the coming quarters for this financial year?

And second question was in terms of expenses, I see like the other expenses now settling in at about INR 34 crores, INR 33 crores a quarter, and we also saw like expansion in employee expenses. So, is this the normal base now, or was there some any one-offs in this quarter? This was a couple of questions. And then, I have just one or two more. So, yeah.

Zain Daud

Yes. I think on the first question, yes, you're right. This was a good quarter for us, one of the better Q1s over the past few years. This is just a result of the increased business that we have gotten from the

formulation business piece also now. As we have said, we have the team in place, and now we are reaching out to more relationships and further filings that are happening.

We were also quite happy with the performance of the innovative product portfolio, which contributed a lot compared to previous quarters in this time. So, I think with both, I feel like, going forward, it will depend on the EU situation of how the quarters go, but we do expect that the base business and other business, the innovative product business keep on continuing to grow.

So, over the quarters, I believe the base business should also grow, with the innovative product portfolio also growing. But on a total level, it will depend a lot on whether the EU-GMP comes and when it comes. It's just about timing now. So, hopefully, that will come soon enough, and then we can start getting the revenues from EU. On the expense side, I'll let Mr. Zulfiquar Kamal take the call.

Zain Daud

Yeah. On the expenses side, what you have rightly mentioned, it is more or less settled, except for there is some one-time expenditure of the Q1. In Q1 also, I think I'll let Mr. Patro give the details of the Q1 expenses, which are only one-time. Over to Mr. Patro.

Shyam Mohan Patro

Specifically, one-time expenses are in the form of TGA audit, that is Australian audit of around INR 30 lakhs. I'm certainly engaged for this European audit, and some repairing and maintenance has been taken out to for a smooth EU-GMP audit. And so, MIDC charges that constitute near about INR 1.9 crores. So that has given a more, like, run-rate increase for this year for all this equipment and expenses. This will not be repeated in the next quarter. So, we can have a better result in next quarter.

Zulfiquar Kamal

Yeah. So, to answer your question, the quarterly expenses or another expenses are now fixed in the same nature, and it will not be increased going further.

Rohit Balakrishnan

Right, sir. And, sir, from the perspective of the EU-GMP, I think we were expecting somewhere in July or first week of August, I think. I mean, we are pretty much on that timeline now. So, anything that you can share, like, any communication that you've got from the regulator?

Zain Daud

Yeah. We've received the draft inspection report from the regulator, which gives us insight into what the final report will be like. But the final report is yet to come. We are in communication with the authorities constantly and have been informed that the report should come anytime now. So, we are hoping that this should come in a week or two weeks. The final report should be in our hands.

Rohit Balakrishnan

Got it. And so, last question was, sir, if you see the gross margin, I think, this was pretty high, 58.1%. We've done maybe this once in a quarter types, in the last four, five years. So, is there some one-off here, or is it now more a trend? Because you've been around 55-56% on a regular basis. But 58% seems to be on the higher side. Is it driven by the formulation push or more product mix or anything you would like to call out? And is it the more normalized gross margin now as we push towards EU and more NIP?

Zulfiquar Kamal

Yeah. You are right. It will be around 55-58% because of the product mix in the first quarter. But going forward, we will make this [indiscernible 00:14:19] more attractive going forward.

Rohit Balakrishnan

All right. Thank you. I'll join back in the queue.

Moderator

Thank you, sir. The next question comes from the line of Mr. Dipesh from Maanya Finance. Please go ahead, sir.

Dipesh

Hi. Am I audible?

Moderator

Yes, sir, you are.

Zulfiquar Kamal

Yeah. Please.

Dipesh

Yeah. My first question was, can you comment on the company's debt levels and plans for deleveraging?

Shyam Mohan Patro

So, if I talk about the term loan we have taken for CapEx, CC limit has also been utilized. The total borrowing is stood at INR 145 crore at the moment, as of 30th June.

Dipesh

Okay. And what is the cost of capital?

Shyam Mohan Patro

It's where similar to earlier quarters, Below 10.

Dipesh

Below 10?

Shyam Mohan Patro

Yeah

Dipesh

Okay. How do you plan to improve your operating cash flow and working capital?

Zulfiquar Kamal

Yeah. So, our going forward, we are mostly dependent on the next year's revenue projections and going quarterly revenue projection, which are going to come in the current year. That will give us [indiscernible 00:15:53], last month.

Moderator

Kamal, sir, I'm sorry to interrupt you. Your voice was not audible, sir.

Zulfiquar Kamal

Yeah. So, what we expect is, once the revenue start growing, we'll be able to generate enough cash flow which will be required for the coming quarters, number one. And if we have observed from the current year, in the current quarter, the debtors and inventory limits were a little bit higher side. So, we are now improving our cash flows by increasing our collection in debtors, which is from around 100 days. We are targeting to reduce it to around 80 days.

Some collection will come from the debtors, and also we'll be having enough control on our inventory level. So, this will give us sufficient cash flow going forward. And these are the two measures which we are taking for the improving our cash flows and working capital.

Dipesh

Okay. And as seen previously in the previous quarters, what do you think are the key risks that investors should monitor over the coming quarters?

Zulfiquar Kamal

So, as of now, the key risk only remains the EU-GMP, which we are expecting in this quarter to come. Rest, everything is in place. As we have already mentioned earlier in the call, our product portfolio are nearing completion. We are receiving all our MA queries. So, market authorization from Europe are also there. Our marketing team is also being placed. So, as such, except for this EU-GMP, nothing remains which will be anything to worry about.

Dipesh

We see a lot of, I mean, changes in the operating margins. What should be the operating margins going forward, which investors should expect from the company?

Zulfiquar Kamal

So, it will be more on the similar lines, going on the positive side with the increase of the NIP and the oral thin film products.

Dipesh

Because this quarter, the margins were around 2.6%, whereas last year, and even last quarter, we saw around 6-7%.

Zain Daud

Yeah. See, I think you're talking about EBITDA margins.

Dipesh

Yes.

Zain Daud

This basically is an impact of the top line, like we have shown the expenses that increase. So, there are some expenses. We have increased our expenditure, and this is something that will be settled now. So, as we cross a higher revenue margins will improve.

Dipesh

Because point, what happens is, when the margins actually lower down, even if you find the sales growth also because right now, we're not finding the sales growth. But if we find the sales growth also, the some of the ROE is just too low. I mean, for a 2% ROE, even historically, we've always been below 5%. It's very concerning for the investors. So how do you plan to improve that on the ROE level, especially? Because we are waiting a debt of around, see, our cost of capital is around 10%. And if we are not able to do even 5% as ROE, I mean, then I would rather keep our money in the fixed deposit, I mean, just.

Zulfiquar Kamal

No. I understand your point because we are under a level where we are expecting our EU-GMP and the growth coming from the EU-GMP of the [indiscernible 00:19:42] market. Even that the revenues are generating and it's generating the revenue.

Moderator

Kamal sir, sorry to interrupt you. Your voice is not so clear, sir.

Zulfiquar Kamal

Yeah. So, what I'm trying to say, this is the baseline growth as of today of the revenue. Once we get the EU-GMP certification, our revenue of current contribution of Oral Thin Film and NIP to the regulated market will grow. This will increase our top line, thereby increasing our EBITDA margins. We have already said earlier, the EBITDA margin what we are projecting will be in upper teens in the previous calls, if you have, I mean, earlier we have mentioned. So, the main point is only we are waiting that the revenue should grow post receipt of our EU-GMP certificate.

Dipesh

That will be the inflection point, right, for the company?

Zulfiquar Kamal

Yeah.

Dipesh

I want to understand, once that comes in, how much time would we actually see the sales growth coming? I mean, after the certificate also coming, immediately the sales will start or there will be a lag effect of about a month or maybe a quarter?

Zain Daud

I think it's about two quarters. That will be the lag. We expect if it comes in August, we expect some supplies to start going in the last quarter, Q4, and then so on, there will be a continuous supply.

Dipesh

So, assuming that, everything falls in place, by the grace of God, if everything falls in place, what will be your FY28 expectations?

Zain Daud

I think we would grow at 30-40% if we get EU-GMP and if supply start. That will be the full year for FY28 would be about 30-35% growth easily.

Dipesh

30-35% growth, that will be your top line. So that will be what approximately INR 500 crores?

Zain Daud

Yeah. You could say that, but it will be more conducive to give this once we have the EU-GMP. It's an intricate kind of process that happens once the supply start. So, we'll keep you updated as the quarters go by.

Dipesh

Perfect. So, if I get things right, if we get the EU-GMP and everything falls in place, we should see 30% growth and mid-teens EBITDA margin. Am I getting that right?

Zain Daud

Yeah.

Dipesh

Great. All the very best, guys. And we've been a long-term investor, so we're hoping that things fall in place. All the very best.

Zain Daud

Thank you so much.

Moderator

Thank you, sir. The next question comes from the line of Mr. Vishal, an individual investor. Please go ahead, sir.

Vishal

Good afternoon, sir. Thank you for the opportunity. Am I audible?

Zain Daud

Yeah, you're audible.

Vishal

First question would be on the EU-GMP approval only. So, whether any remediation or CAPA needs to be further submitted by us against the observation what we have received, or we have already submitted and now we are waiting for the final approvals? My first question is that.

Zain Daud

Yes, we'll have to submit a CAPA based on the final inspection report. Like we said, we have received the draft report, and based on that, we are ready with the CAPA. As soon as the final inspection report comes, we'll submit the CAPA.

Vishal

Okay. So, any major or any adverse observation in the draft report?

Zain Daud

No. There are no adverse observations. There is no critical observations, which is what is important. There are only some major observations, which will be handled, and that should not be.

Vishal

Major or minor observations, sir?

Zulfiquar Kamal

There are both, some major and some minor observations.

Vishal

Since we had engaged third-party agencies and we had taken a lot of due diligence, and still if major observations are being reflected, I mean, what would be the take of the management in that regard?

Zain Daud

Yeah. I think major observations are a common thing in reports. It's very rarely that you get only minor observations or zero observations. The important part is you not get any critical observations because that is what can hamper your EU-GMP certification. So, even every time we have been recertified, we had major observations, but it was not something that cannot be rectified and does not affect product quality.

Vishal

I mean, whatever compliance we submit, that will not entail a further audit from the authority, right, sir?

Zain Daud

No, it will not.

Shyam Mohan Patro

Normally, they combine four or five minor observation to major. So, they effectively issue, drill down the major, it is the minor ones, combination of minor ones.

Vishal

Okay. So, I mean, our remediation is CAPA submission would suffice to get the approval rather than reinspection by the auditor, right?

Zulfiquar Kamal

Yeah, correct. The CAPA will be enough. Once accepted, we should get the recertification.

Vishal

Okay. My second question was on the NIP and OTF pipeline, so which has been given in, I think, slide number 15 and 16. The product, sir, there had been almost immense for last three to four quarters in terms of new filings for NIP and OTF. So, any outlook or color you can give on that? I mean, how that will progress over a period of, let's say, 12 to 18 months?

Zain Daud

See, we have filed most of the products in Europe. When the EU-GMP, went under remediation, they stopped giving us the MAs. But the procedure was ongoing for some of these products, and we are near the end for most products that have been filed. Once we get the EU-GMP, we'll start getting the MAs.

Vishal

And you have categorized the products under with various phases like market review, formulation development, validation, BE studies. So, I mean, I think these are all these things that to be done at in-house. So, were there not any development in any of the new products? Because this has not been updated for last many quarters what I have seen. I mean, the same 12 products, and I see.

Zain Daud

So, the major development time which is needed for the products is for these three filing stages only, which is basically the validation batches, the stability studies, etc. So that took about one and a half to two years, and we got those done. The filing process itself takes about 210 days if there are no questions from the authorities. But, usually, there are some clarifications that are needed by the authorities, and they ask for clarifications when this clock stops.

So, that process also becomes a bit lengthier. So, you're right. This has not been updated for the past year or so because we are in that regulatory filing stage. But now what we are saying is we are towards the end of the regulatory filing stage, and we have submitted most of the queries that the auditors had. And we are now expecting MAs to come through once the EU-GMP comes. We will have the registrations as soon as EU-GMP comes through.

Vishal

Okay. So how do we see this product pipeline, sir, the next 12 to 18 months? I mean, 12 products, will it be significantly? How much we can expect?

Zain Daud

We will have MAs for about 8 to 10 products once the EU-GMP comes.

Vishal

Hello?

Zain Daud

Hello? Can you hear us?

Vishal

Yes. You are audible.

Zain Daud

We'll have approvals for 8 to 10 products once EU-GMP comes through, and we'll try to commercialize as much of these as we can.

Vishal

Any inventory we are building up, sir, in anticipation of this approval coming in? We have already started building up the inventory, or we would like to have the approval first and then?

Zain Daud

Yeah. We are building up inventory of API for some of the key products where we estimate that timelines would be longer. It's product to product mainly. It's not a general inventory build-up. It is more on which products APIs are scarce and it takes time for them to be available. For those, we are building up inventory. For others, we are going to be basically just-in-time, and when the orders come, we are going to build inventory according to that.

Vishal

Okay. Thank you, sir. That was all from my side. And thank you for all the communication you are maintaining with the investors and the transparency that is being maintained by the company. Thank you very much, sir. And we expect that this will continue in future also. Thank you very much.

Zain Daud

Thank you very much.

Moderator

Yes. Thank you, sir. In the interest of time and for the financials of all the participants, we request everyone to ask restrict your questions to three questions in the initial round and get back to the queue for more questions.

The next question comes from the line of Mr. Nikhil Gupta from Vaayu Capital. Please go ahead, sir.

Nikhil Gupta

Thank you for the opportunity. My first question is on our Australia market. I think we have received an MA for a particular benzoate. When we can expect the revenues start flowing from that product?

Zain Daud

Yeah. As you saw in the presentation, we also underwent the TGA audit from Australia in the month of April. So, I'll just give an update to investors on that. We have received the final report, and we submitted the CAPA. Now the assessors are reviewing the CAPA. So, we expect the TGA certification also to come through in the coming months. We have received an order for one of the products from Australia, and we are going to start supplies, I think, in the next two to three months.

Nikhil Gupta

Sorry. I'm not very clear. This slide, I think, I'm not able to see any CAPA on the Australia side in the presentation.

Zain Daud

Yeah, in the slide, which is basically telling you about the EU-GMP remediation, at the bottom there is a note where we have said that we did undergo a TGA audit, a slide number 6 of the presentation. The TGA is like for EU, there is EMA, the European Medicine Agencies. For Australia, it is the TGA, Therapeutic Goods Administration.

They came to the plant in April, audited us, and have given an inspection report. We have responded to the inspection report with our CAPA, and now we are awaiting the assessor's response and giving us the certificate. They were positive on the outcome, and they communicated to us that as long as our CAPA is in line, we will be getting the Australian certificate. So, based on that, you'll find the details in the slide number 6.

Nikhil Gupta

Right. It's clear. So, how much big is the market for that particular product in Australia?

Zain Daud

I think, We are starting slowly with one product, but we expect more products to come through. Market size for that product in Australia is about USD 20 million, but there are only a few players there. So, we expect to get a good chunk of the market.

Nikhil Gupta

Right. My last question is on a general business understanding. Maybe I'm not clear. As per my current understanding, I believe for the OTF segment, very few players in India have the current technology to make those products. One is, I believe, is Avishkar, which is in the unlisted space. And I believe, second, we have the Delta technology and have the patent for global markets as well. So, is that a fair understanding, or their needs some correction to the understanding?

Zain Daud

You are right. There are a few players only in the oral thin film space and fewer when it comes to a European GMP-certified facility. We are one of the few people who have filings and approvals in Europe. So that we believe will give us an edge at least when it comes to Europe, because we will be one of the few players to have approvals like for sildenafil and Rizatriptan having approvals in Europe.

Nikhil Gupta

Right. So, is it a fair understanding to say that in India, there are no more than two, three players along with us? And can you quantify just an estimate number for Europe as well, the people who can do it?

Zain Daud

As far as I am aware, there are two to three players in India in the pharmaceutical space. In Europe, I am not aware of many players who are doing oral thin films. So that would be something that you'll have to check. The U.S. has players, but the U.S. has the innovator basically who is doing Suboxone. That is buprenorphine/naloxone. That is a European and U.S. care. So that is the biggest player in oral thin films, and there are some in Utah space also in the U.S.

Nikhil Gupta

Right. Thank you so much for answering the questions.

Zain Daud

Yeah.

Moderator

Thank you, sir. The next question comes from the line of Pujith Agarwal, an individual investor. Please go ahead, sir.

Pujith Agarwal

Hello. Am I audible?

Zain Daud

Yes, Pujith.

Pujith Agarwal

Yeah. Hi. I just wanted to understand, like, I mean, in terms of R&D expenditure, we've actually expensed a lot of money in terms of R&D. I just wanted to understand whether we as Zim Labs can make 15-20% ROIC, and by when can we expect to make that 15-20% ROIC as a company?

Zain Daud

Yeah. See, I think R&D is the DNA of this company, and all investments are being done for a long term. We do believe we can get the returns, most of this will be unlocked once EU is available with us because these investments that you see are being done keeping in mind the developed markets from where the major revenue is going to come. So, I do believe we can get the returns. This is a long-term play for us.

Pujith Agarwal

Got it. Last year, we had quite a few key hires. So, can you just give us a brief about how the key hires are performing and how capable do you think we, as a company are to scale our revenues up 30-40%? Do you think we have that capability in terms of scaling up the revenues from the targeted market that we are anticipating? Do you think we, as a company, have an infrastructure ready?

Zain Daud

Yeah. I think, Pujith, this is an exercise by and large to professionalize the company, to bring in seasoned talent. And you've seen, we've hired on the technical side and also on the administrative side, but the biggest hire has been the business development president that has come in. He brings with him a lot of experience into newer markets where we were not present. So yes, we do expect that along with Europe, the R&D business will also give us good growth.

There are a few leadership positions that we are looking to hire more, and even send in the organization even more. So, you will see more developments as we go along in terms of organizational restructure. This is an attempt to make the organization systematic and professional.

Pujith Agarwal

Got it. So, in terms of employee cost, what kind of run rate? I'm sorry. I missed that part in the con-call. Like, is INR 19 crores the new normal in terms of quarterly run rate, or what should I assume the new normal to be?

Zulfiquar Kamal

Yeah. It will be on the same line except for -- yeah. Can you hear me?

Pujith Agarwal

Yes.

Zulfiquar Kamal

So, as you said, the run rate will be on the similar side except for the few around what Mr. Patro suggested, that some of the expenditure of amounting to around INR 1.25 crore in this quarter was one-time. Rest, all expenses have been now completed except for few hiring which Zain mentioned. Other than that, we have been now normalized our run rate as far as the expenses are concerned.

Pujith Agarwal

Got it.

Shyam Mohan Patro

If I repeat, INR 1.82 crore is the one-time expenses incurred in Q1, specifically due to EU-GMP and high-value human assets, replacement service, and return maintenance done for EU-GMP resolution.

Pujith Agarwal

Got it. Thank you so much. I wish you guys the best of luck for the future.

Shyam Mohan Patro

Thank you.

Zain Daud

Thank you, Pujith.

Moderator

Thank you, sir. The next question comes from the line of Nishita Shanklesha from Sapphire Capital. Please go ahead.

Nishita Shanklesha

Yes. Hello. Am I audible?

Moderator

Yes. You are audible.

Nishita Shanklesha

Yes. I just wanted to understand. You mentioned that we can do around 30-40% growth in FY28. So how much of that growth can we attribute to us getting EU-GMP?

Zain Daud

See, I think at least 60% of that growth is attributed to the EU-GMP, 60-70%, because that is where the value unlock will happen. R&D business and base business will continue to grow at steady levels, but the major jump that we're looking for is going to come from EU.

Nishita Shanklesha

Right. So, because you mentioned that we are expecting the EU-GMP to come and then it will take around two quarters for us to start the supplies and everything. So, then is it safe to assume that FY27 is going to be very flattish compared to FY26? What sort of growth can we see in FY27?

Zain Daud

If we don't, let's say, if EU doesn't come or if you assume EU comes from FY28, we will still have a 10-15% growth in the FY27 year compared to the previous year. Because, as we said, the base business is growing, the new hires are coming into motion. So, we do expect there will be 10-15% growth. I don't believe it will be a flattish year for us compared to FY26.

Nishita Shanklesha

Right. Okay. So, like, 10-15% growth. And then the EBITDA margins, because if EU-GMP doesn't come, then comes from FY28, then EBITDA margin for FY27, can we assume to be in single digits? Like, because our employee cost is now INR 19 crores quarterly run rate. So, like, can we assume it to be in mid-single digit?

Zain Daud

I think we would assume it to be similar to the last year, around that range. Because, [indiscernible 00:40:09] first quarter margins improved. We assume that it would be in similar range to us.

Moderator

I'm sorry to interrupt you, sir. We are unable to hear you properly.

Zain Daud

I said that if EU-GMP does not come from the previous year, then it could be in the previous year.

Moderator

Kamal, sir, I'm sorry to interrupt you once again, sir. We are unable to hear you properly.

Zain Daud

Yeah. I was saying -- can you hear me now?

Moderator

Yes, sir.

Zain Daud

Yeah. I'm saying that if EU-GMP starts from FY28, we assume, then the EBITDA margins would be similar to the last year around that percentage.

Nishita Shanklesha

Hello? Am I audible?

Zain Daud

Yes, you're audible.

Nishita Shanklesha

Yes, understood. My last question would be on what is the total CapEx spend we are going to do this year in FY27?

Zulfiquar Kamal

CapEx is mostly completed now. We have been able to close all our CapEx, and the projects are going to start somewhere in the second quarter. So, as such, only normal upgradation expenses may be there. CapEx will be there. And the amount what we have assumed from the press, that will be the only requirement which is there, which has to be completed, which is around INR 15-20 crores to upgrade the enzyme plant and the Nutra plant.

Nishita Shanklesha

Okay. Understood, yes. Thank you so much.

Moderator

Thank you, ma'am. The next question comes from the line of Mr. Rupesh Tatiya from Long Equity Partners. Please go ahead, sir.

Rupesh Tatiya

Hello, sir. Thank you for the opportunity. I have two, three questions. So, first question, sir, is on the star product one, which I assume to be an enzymatic product. So, is EU-GMP the only thing pending to get any approval to our partner in U.K.?

Zain Daud

Yeah. That's correct. We are awaiting the MA for that will come after the EU-GMP.

Rupesh Tatiya

But, I mean, all the clarifications, any questions, everything has been answered. Is that a fair understanding?

Zain Daud

Yeah. That has been answered, and we are at the end of procedure. All the request for information have been replied to.

Rupesh Tatiya

Okay. And second question, sir, is I joined the call a bit late. Did you say we will get formal letter for EU-GMP in another two weeks?

Zain Daud

So, it was supposed to come, in the month of August. We do expect it to still be on timeline and come within the next two weeks.

Rupesh Tatiya

And then how much time after that for CAPA and then final approval?

Zain Daud

I think it will take about two to three months. So, by the end of the year, we should be ready to be in a position to supply to Europe. So maybe Q4, we can see some revenue starting to come in.

Rupesh Tatiya

And you still expect that, because I think the brand products' capacity, I think, is going to come online in 2027. So, you still feel we will be able to capture decent market share in at least UK?

Zain Daud

Yes. We will be. Because we do have contracts with the company. And based on what our clients are saying, we still believe that there is big potential for these products.

Rupesh Tatiya

Okay. And then the third question, sir, is this Neuraxpharm approval for buprenorphine. So, can you give some update about that? I mean, what is happening there? That also, I mean, will we get orders once we get the EU-GMP? And just small clarification there, will we launch this product in UK also?

Zain Daud

So, yes, Neuraxpharm has their agreement states that they'll be launching in UK also. Their business plans were put on hold because of the fact that we were under EU-GMP remediation. They have given us a positive outlook on the product once the EU-GMP comes back. So, I believe it will be fair to assume that once we have the GMP back, there will be orders.

Rupesh Tatiya

But this is still a discussion stage, you would say?

Zain Daud

No. It's not a discussion stage. It's their MA, basically. They are the ones who are the MA holders. So, they'll decide when to launch. The development has been done by them. They have given us a license fee for it. The MA is under their name. They will be deciding when to launch it, but they're waiting primarily for an EU-GMP.

Rupesh Tatiya

Okay. Thank you. Thank you for answering my questions.

Zain Daud

Yeah.

Moderator

Yeah. Thank you so much, sir. The next question comes from the line of Mr. Madhur Rathi from Counter Cyclical Investments. Please go ahead, sir.

Madhur Rathi

Sir, thank you for the opportunity. Sir, you mentioned that this year's EBITDA margin should be closer to what we did in the past year. But I think in the previous quarter, you were expecting some mid-teens kind of margin. So why is this? So where are we struggling? I think revenue growth is telling that the margins are not flowing in. So, if you could help us understand.

Zain Daud

See, we are projecting last year's EBITDA margins on a higher revenue this year because of the costs that have come. So, we believe that if without EU, if we look at INR 410-420 number, we would have EBITDA margin similar to last year because of the increased costs.

Madhur Rathi

Sir, but these costs were on a similar level. I think if I look at our QoQ numbers, most of the costs are similar. So only the two incremental costs related to employee expenses has come in, but that is proportionately offset by our gross margin improvement. So, is that whatever gross and EBITDA margin improvement we are expecting will be only driven by these regulated market products going forward? Is that understanding correct?

Zain Daud

That is a part of it, but higher revenues will also trigger the better margin profile with the operating leverage will kick in beyond a certain point. And once we have revenues above INR 100 crores, we'll have better margins because the cost will be absorbed.

Madhur Rathi

Right. And sir, these 8 to 10 MAs that we have, sir, so these are MAs that we already have. So, whenever the EU-GMP accepts our CAPA and gives us the final certification, we can start it within, like, two quarters, we can start supplying these products, right?

Zain Daud

We don't have the MAs yet, but what happens is, if you don't have a valid EU-GMP certificate, the authorities don't issue an MA to you. We are near the end of the procedure of the 210-day clock. That is the prerequisite to get an MA. So, we are towards the end of that. So, it's a fair assumption to say that once we get the EU-GMP, they'll grant us the MA. That is the only thing holding the MA right now. Our questions and queries have been answered. The queries made by the assessors have been answered.

Madhur Rathi

So, these MAs have already been filed?

Zulfiquar Kamal

The filings have been done, correct. And the responses have been given. We are near the end of the 210-day clock.

Madhur Rathi

Okay. In a scenario where the EU-GMP is delayed by maybe one or two months, does the whole process needs to be redone for these MAs to get either in our partner's name or in Zim's name. So, will the whole process need to be redone again?

Zain Daud

I don't think so because they give you time to get the EU-GMP. Obviously, if it goes beyond three to four months, it'll have to be redone. But right now, with the timeline that we have in front of us, it won't need a refiling.

Madhur Rathi

Got it. Sir, that was all mine. Thank you so much and all the rest.

Zain Daud

Yeah. Thank you.

Moderator

Thank you, sir. The next question is a follow-up question from Mr. Rohit Balakrishnan from ithought PMS. Please go ahead, sir.

Rohit Balakrishnan

Yes. Most of the questions have been answered. One clarification was that, I mean, sir, like, usually Q1 is the slowest quarter for us. And then typically, if I see that Q1 to the next full year is around four, four and a half times historically. So, by that logic, we should be close to that INR 430-450 crore kind of revenue, full year without, assuming Citrix, by the way, no change in EU, etc.

So, I think with that scale also, I mean, I understand there's been some kind of cost increases in the last three quarters. But, I mean, because earlier, we used to do 12-13% margins without factoring in the regulated markets business. I understand that we have hired a lot of people, and we are pushing even in the non-medical markets for newer markets.

So given all this, I mean, forget this year. Let's say, if you were to look at your business for one minute without EU for one minute, just to understand how you are thinking. The current business, will that be able to double-digit margins? Let's say, you do close to INR 500 crores of sales, maybe not this year, but, let's say, next year. Consciously, only talking about the EU business or non-EU business, the non-regulated business at this point of time, just to understand the economics.

Zain Daud

Yeah. If we do 410-420, what we are projecting, then we are looking at margins similar to last year. But if we do 450 or 460, then obviously, the leverage kicks in and we are looking at higher EBITDA margins. Then we would be around mid-teens, or near 13-14%, is what we should be getting at. So, at INR 450 you look at, they're definitely higher margins. But what we are projecting without EU, let's say, 10-15% growth, then we are looking at last year's margins.

Rohit Balakrishnan

Okay. And this is despite you having a very good Q1, right? Because, sir, I'm just cognizant of the fact that last five years, this is the best Q1 that we've seen. I mean, just to sort of put that in context on probably even six years.

Zain Daud

Yeah, that's correct. Revenue-wise.

Rohit Balakrishnan

Yeah. I'm only talking revenue right now because, for the simple fact that we've incurred costs, and those cost. And Q1 is the smallest quarter for us. So, you still think that it's only INR 420-odd crores that you could do, without EU?

Zain Daud

See, that is the projection and outlook right now. Obviously, things become more clear around the second quarter ending. So, when we have the second quarter call, I think that is the time when we would be able to tell you that whether we are overshooting the INR 420 number.

Rohit Balakrishnan

Sure. And given this overall Middle East disruption, which keeps coming back every few days, so, I mean, are you seeing any kind of impact because of that, sir?

Zain Daud

Sorry. What was the question? Can you repeat it?

Rohit Balakrishnan

Yeah. No. I'm saying that the disruption in the Middle East because of the ongoing conflict, are we seeing any impact because of that in our business? That's the question.

Zain Daud

We did see some impact in the first quarter, but right now, it seems to be regularizing. It is not playing that bigger role, and we feel like, it might regularize further if this isn't how the situation is. But you can never know, if it worsens, then definitely it will happen have an impact.

Rohit Balakrishnan

Sure. All the very best. Thank you.

Zain Daud

Thank you, Rohit

Moderator

Thank you, sir. I have a follow-up question from Mr. Nikhil Gupta from Vaayu Capital. Please go ahead, sir.

Nikhil Gupta

My only question is related to our partners. I think in the last call, we mentioned our strategy that, while we are simultaneously working with the EU-GMP, we are looking and we have partners in place to be where we can use their facility and use our products to manufacture and supply. What's happening on that front?

Zain Daud

I think what you're talking about is a CDMO model where we develop for -- so we are not into pure contract manufacturing. We have our own products, and we develop our own products, and we manufacture for others. So that is a pure B2B model that's going on, and that's what is the base business about in formulation especially. So that's going on.

Nikhil Gupta

My understanding was that we are using other facilities which already have the EU-GMP. We are exploring that particular option so that whatever MA's are in place, we can deliver the supplies. So, that understanding is not correct, you're saying?

Zain Daud

No. That is correct. We do have an alternate site where we have transferred. Basically, we are manufacturing a couple of products as a risk measure and a good risk practice. That's going on. We have

completed the batches. The batches are under stability right now. Once the stability completes, we'll be in a position to supply from those plants as well.

Nikhil Gupta

Yeah. So, let's say if we go deep in that relationship and explore other sites as well, so, in that sense, our impact of EU-GMP that gets minimized, right? What's your take on that if we simultaneously start exploring that particular segment?

Zain Daud

There is a lot of regulatory processes that are also there when you transfer to another site. You have to file with the authorities again. Your current filings have your manufacturing site in the dossier. And if you transfer it to another plant, then you have to again file a variation. So that is not our primary strategy.

We still are looking to manufacture most of the products in-house because we have the equipment we spent on it. I believe that strategy will be limited to a few products and a few key markets, but not as a whole strategy to kind of look at the entire EU-GMP remediation. We are still our primary strategy is to manufacture in-house.

Nikhil Gupta

Makes sense. Thank you so much.

Zain Daud

Yeah.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on a telephone keypad. There are no further questions. Now, I hand over the floor to the management for closing comments.

Zulfiquar Kamal

Thank you very much for giving us the time and attending the call. Again, I thank the Go India team for the very well-organized for this call. Thank you very much.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. On behalf of Go India Advisors, we thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note: 1. This document has been edited to improve readability

2. Blanks in this transcript represent inaudible or incomprehensible words.