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 Q4 & FY24 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 Q4 & FY24 held on Wednesday, 15th May, 2024. The same is available on the Website of the Company at:

https://www.zimlab.in/investor-reports-earnings-call

Request you to kindly take the same on your record.

Thanking you,

Yours faithfully,

For ZIM LABORATORIES LIMITED

PIYUSH SIDDHESHWAR NIKHADE

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(Piyush Nikhade)
Company Secretary and Compliance Officer
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"ZIM Laboratories Limited

Q4 & FY24 Earnings Conference Call"

May 15, 2024

MANAGEMENT:

1. **Dr. Anwar Daud: Chairman and Managing Director -- ZIM Laboratories Limited**
2. **Mr. Shyam Mohan Patro: Chief Financial Officer -- ZIM Laboratories Limited**
3. **Mr. Zulfiquar Kamal: Director Finance -- ZIM Laboratories Limited**
4. **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 Limited Q4 & FY 24 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone.

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

Deepika Sharma: Thank you, Neerav. Good afternoon, everyone, and welcome to the Q4 & FY 24 Earnings call of ZIM Laboratories Limited. We have on the call Dr. Anwar Daud, Chairman and Managing Director; Mr. Shyam Mohan Patro, Chief Financial Officer; Mr. Zulfiquar Kamal, Director Finance; and Mr. Zain Daud, Investor Relations.

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

Anwar Daud: Thank you Deepika. I am Anwar Daud speaking and a warm welcome to everyone joining us for Q4 and financial year '24 earnings conference call of ZIM Laboratories Limited. I trust you had the chance to review the Q4 and FY24 financial results and earnings presentation available on the exchange.

So, despite the initial challenges presented by the currency crisis in some of our existing markets in financial year 24, we were able to make a strong recovery and deliver somewhat robust set of results, underscoring the company's proactive approach in redirecting focus towards its vision and financial goals. This underscores the ZIM's ongoing efforts to create substantial value for shareholders.

In the Q4FY24, ZIM Laboratories Limited demonstrated strong financial performance with total operating income reaching Rs. 1,179 million. EBITDA and PAT margins improved to 14.6% and 6.9% respectively. For FY24, the company achieved Rs. 3,674 million in total revenue, with EBITDA and PAT margins at 12.7% and 4.7% respectively.

The Pharmaceutical business remained the primary revenue driver constituting 81% of total revenue, complemented by the Nutraceuticals contributing 19%. In Q4FY24, the formulation business surged contributing to Rs. 540 million to total revenue, marking a 7% quarter on quarter growth, while the PFI segment showed robust growth at Rs. 597 million, a 39% quarter on quarter increase also indicating a somewhat easing out of the currency crisis.

For FY24, Exports contributed 78% to the TOI accounting for Rs. 2,870 million, whereas Domestic business witnessed significant growth, reaching Rs. 804 million driven by institutional orders for our differentiated Nutraceutical products and strategic partnerships with top Indian MNP for our NIP a very welcome news for us indeed.

NIP and OTF segments showed substantial growth, with NIP revenues reaching Rs. 73 million in Q4, and Rs. 241 million for FY24, while OTF revenues reached Rs. 39 million in Q4 itself, with Rs.131 million for FY24. The combined contribution from NIP and OTF, including licensing fees constituted 12% of Total Revenue for FY24, amounting to Rs. 437 million.

There has been a significant improvement in business performance both in Asia, outside India and in India itself. The revenue contribution from Asia ex-India grew by 74% year on year, totalling Rs. 439 million for Q4, and Rs. 1, 235 million for FY24. Indian market revenue rose by 35% year on year to Rs. 209 million for Q4 itself and Rs. 804 million for the entire FY24.

R&D investment remained at 11.2% in the range which we have been operating since the last few years and for Q4FY24 itself as well and 9.7% for the entire year. The company completed one NIP dossier filing in Q4 in 4 countries of the EU: Spain, Portugal, Poland and Italy and 7 filings in Pharmerging and RoW markets for Q4.

ZIM filed 3 NIPs in FY24, totalling to 5 NIP filings till date in the EU and 40 NIP filings throughout FY24 in Pharmerging and RoW markets. Additionally, Finished Formulation business saw progress with 39 dossier filings in FY24 and 5 registrations coming through in Q4 FY24, totalling 26 registrations for FY24.

Furthermore, in the ODS business, ZIM submitted 17 dossiers in Q4FY24, totalling 51 submissions for FY24, and received 9 MAs. This will all be reflected in the business to come in this year and later on.

Now, I will hand it over to Mr. Patro to take us through the financial highlights for this Q4 and the entire FY24. Mr. Shyam Mohan Patro.

Shyam Mohan Patro: Thank you, sir. Good afternoon, everyone. Let me present the overall financial results for Q4 as well as financial year 24. In Q4 Financial year '24, our Total Operating Income reached Rs. 1,179 million, indicating 22.4% increase on a quarter-to-quarter basis and 11.2% increase on a year-on-year basis.

The EBITDA for Q4 stands at Rs. 172 million, reflecting 36.5% on a year-on-year quarter-to-quarter basis and 6.8% on a year-on-year basis increase, with an EBITDA margin of 14.6%. The PAT i.e., Profit After Tax for the quarter was at Rs. 81 million, showing a growth of 68.8% on a quarter-to-quarter basis and 12.5% year-on-year margin, with a margin of 6.9%.

The pharmaceutical business continued to grow in Q4 reaching Rs. 978 million with growth of 38% on Q-to-Q and 4% year-on-year. Our R&D investment in the Q4 represented 11.2% on Total Operating Income, with an expenditure of Rs. 31 million spent on bioequivalence studies and registrations. We continued to upgrade our plant and equipment with a CapEx addition of Rs. 318 million in Q4.

Let me come back to the full year, which is financial year 2024. The total operating income was at Rs. 3, 674 million, with improved product mix and better region mix leads to higher net margin compared to FY23 that is the last year. FY24 EBITDA stood at Rs. 465 million, down by 20.3% on a year-to-year basis, but EBITDA margin stood strong at 12.7% owing to strong Q4.

The PAT for FY24 was at Rs. 172 million, a 29.4% year-on-year decrease. The PAT margin was at 4.7%. The pharmaceutical business contribution for FY24 increased to 81%, that is Rs. 2, 966 million from 77% in FY23 which was Rs. 3, 082 million.

The export business contributed 78% of FY24 of Total Operating Income. The Total Export for FY24 amounted to Rs. 2,870 million. The India business excluding deemed export, grew by 81% on a year-to-year basis to Rs. 647 million in FY24. The CapEx spent totalled to Rs. 832 million aimed towards plant and up gradation of equipment for EU that is European and developed market supply.

The finance cost rose to Rs. 69 million from Rs. 56 million in FY23, with a gearing of 45% and overall borrowing stood at Rs. 1, 064 million. That's all from my end. Now, I would like to open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Hello. Thank you for taking my question. Sir, I'm very new to this company, so I was just looking at numbers, and I see our ROE is less than 10% and over the last 5 years there hasn't been much growth, can you comment why is that? Is it sir that we are building on some capacity and our utilization is lower? How should we think about this?

Anwar Daud: Yes, the company is in the midst of a pivot from being basically an ROW and emerging Markets Company to a regulated market operator. It's a technology player. So we are a company which specializes in complex products, difficult to make products and we are in the phase of filing and upgrading and making our capacity ensuring that our capacity is there in line with the agreements we have signed for regulated markets in Europe, Australia such as Europe, Australia, Canada, New Zealand, Brazil, and Mexico.

These are the markets which we are targeting with our products. I think most of these products are being put on the website unless we have some confidentiality agreements or strategic reasons for the same, but the filings are normally we have now five filing by product we have been filed in Europe and other markets.

Since last year we have actually started the initial supplies on the basis of the emails we have received. There is a big churn in the kind of business we are doing. The business almost looks the same or growing slowly, but the markets are changing, products are changing inside the markets and that's reflected in the margins and the kind of business that we do and that's what we try to bring to our shareholders the insight that the company is playing in the value side of the market now.

Ankur Kumar: Got it. And sir, in our PPT we are talking about the strong NIP pipeline and we have around 15 odd products. So when and how much can these contribute to our current numbers?

Anwar Daud: We have already described quite a robust increase in the NIP and OTF portfolio that we have contributing to this year's turnover and especially the last quarter as well. I think I already mentioned that and this is Anwar Daud speaking. So we saw that the NIP revenues reached Rs. 73 million in Q4 financial year '24.

You have to take note of the fact that these are new products and being launched. The registration took 2 years to 3 years and now we are in the market with these products and the initial sales are coming. So from 73 million in Q4-24 and Rs. 241 million for the entire year while OTF revenues reached 39 million in Q4.

So you can see the increase in quarter-to-quarter basis and the entire year was Rs. 131 million for financial year 24. Both these categories of products which are quite where we don't have many competitors and we are focusing on the regulated market are playing out now. There was a substantial increase from the last year and 12% of the total revenue came from these products and it amounted to Rs. 437 million as I said in my initial opening remarks. So the turnover was more in any way it's doubled.

Ankur Kumar: Got it, sir. And, sir in the coming years what kind of growth are we expecting in the company as a whole?

Anwar Daud: Well, we try to be conservative about it, but as I said although I can't give you any forward-looking statement on the growth. We have our budget which we'll be posting on the site, but for sure the last quarter itself shows that the traditional market that the company had where we had this currency problem there is some easing of the currency problem though still there and that is what actually decreased the overall performance of the company. So that part seems to be easing out and new areas in which the company wishe to focus are showing a robust growth.

So the NIP product that we have has markets in billions of dollars. We are concentrating - we are focusing to have a very small part not even in single digits of the entire business that exists for these products, but there are not many players.

Ankur Kumar: And so sir in NIP is it margins are like much better than existing?

Anwar Daud: Yes, ye. That’s right.

Ankur Kumar: Any comment about kind of NIP margins are there?

Anwar Daud: No, I'm not at liberty, but they are far better than what we have. You have the gross margins that we have, the NIP products actually contribute to an important part of those margins, building up those margins.

Ankur Kumar: Sure, sir. Thank you and all the best.

Moderator: Thank you. Next question is from one of Ankit Gupta from Bamboo Capital Partners. Please go ahead.

Ankit Gupta: Yes. Is it better now? Are you able to hear now?

Moderator: Yes.

Anwar Daud: Yes we can.

Ankit Gupta: So, if we look at our NIP revenues they have done pretty well in FY24 and we have done almost Rs. 24 crores revenues in FY24. So over the next 2 - 3 years how do you see this revenue shaping up? If we compare to the overall size of the company it is still NIP plus even OTF revenues are still almost 10% of our revenues?

So how do you see NIP or NIP plus OTF revenues scaling up for us over the next 2 - 3 years with quite a bit of launches planned during FY25 and 26?

Anwar Daud: Well, over a period of time we think that NIP plus OTF contribution would be about 20% to 40% of the entire business. And because there are many registrations in place, so once those registrations come in the submissions are in place. When the registrations come in, we would actually see from an incremental increase on the share of the business to some kind of a geometric increase.

Because of so many submissions being in place and the registration would be coming in with more frequency, and this is an effort of the last 4 - 5 years and only a few of the MAs have come in. Yes, it depends on the increase in business.

Of course, we have these agreements with distributors and regulated markets and new entrants, so it depends on their performance as well, but the projections that they have provided are quite promising. Of course, I would like to qualify this with the remark that it's early to tell.

Ankit Gupta: Can the segment become, let's say Rs. 150 crores Rs. 200 crores of revenue contributing segment over the next 3 to 4 years?

Anwar Daud: Yes. I think that would be right. That would probably be in the range of that and the company's impact. A large part of the company's growth and revenue would come from the new products.

Ankit Gupta: Sure. Any comments on the base business our supplies to developing countries, how is that expected to do that business last year had faced quite a bit of challenge. So, going forward, how do you see the base business growing for us?

Anwar Daud: Well, as I said the currency shortage is easing out and there is a huge shortage of the kind of products that ZIM makes in these markets. But as you can see, the FF business continues to grow which is the best part of the derisking strategy we have in many geographies in the FF business, the finished formulation business. PFI may take some time to come back, make a comeback because this currency shortage will ease out slowly. And there are several products under registration in these markets as well. So, once those registrations play out, maybe it will start growing again. I can't say when we will see these results.

But we believe that the regulated market play that we have is quite exciting for us. And in the span of the last 2 -3 years, we have been developing and filing these products and we have not seen too many new players as competitors from India or any other market for these same products. So, in that sense, we are very strategically placed with these products. There are not many players who have entered in these intervening years, the last two or three years. There are no new players. Very few new players have actually been able to file these same products successfully.

Zulfiquar Kamal: NIP is also being registered in RoW.

Anwar Daud: Yes, that's also what my colleague is saying. NIP is not only being filed in the regulated markets, we are trying to register these products in the Pharmerging markets as well, where we see a lot of interest in these kinds of products now, because the market always looks for new and complex products where the competitive space is rare.

Ankur Kumar: Can we assume that the base business, including the new NIP that we are filing in this unregulated or semi-regulated markets, can lead us to growth in this segment by let's say 15-20%? Is that possible over the next 3-4 years?

Anwar Daud: Sure, that is how it will grow because the old products in these markets will keep on becoming commodities. And as you know, there is regulatory tightening and localization everywhere. So, that's to the benefit of companies like ZIM because we are already operating our facility that we have is EU certified, EU compliant. We faced the inspection, the renewal inspection in January, which we have put on the website as well. So, these kinds of regulatory mechanisms that we have favour companies like ZIM even in the RoW and emerging markets because we supply all our products from the same facility.

Ankur Kumar: And then, the CapEx of Rs. 83 crores that we have done in FY24, has there been any capacity enhancement that has happened because of that or is it primarily for up-gradation of plant and making our plant ready for supplies to regulated markets?

Anwar Daud: It's for both. It's the capacity enhancement, looking at the kind of business that will be there in two or three years. We perceive that because of the kind of agreement we have signed and what we see with the new product that we have, the NIP product that we have. We have projections and we are preparing to be able to supply these products comparatively to our partners on the regulated as well as the emerging markets.

Also, if you see, the renewed aggressive inspection by regulatory agencies and customers have started all across India, wherever companies have -- from wherever the companies have partners and their own filing. And we have tried, now we are building the facilities, we are building in lines of the current interpretation of how the MOH of these countries, regulated market countries, are interpreting the guidelines, the kind of regulatory tightening we have seen because of some events in the last one and a half year itself.

Even in India, if you see the regulatory tightening, we are preparing, some part of the spend has been directed towards improvements and regulatory compliance and the rest of it is for capacity enhancement.

Ankur Kumar: Awesome. Just one last question over the overall strategy and the growth prospects of the company. If you look at, you know, over the past five years, from FY19 to FY24, you know, although the texture of the company has changed significantly, you know, investment in NIP, plus the R&D spends, but, you know, that has still not translated into revenues which have been revenues and profitability improvement.

In FY19, we were around 330 crores top line and, you know, we have ended this year, FY24 with Rs. 370 crores top line. We do understand that last year was a challenging year in terms of currency issues from developing countries, and over the five years, we spent almost Rs. 160 - Rs. 170 crores CapEx for the capacity enhancement or upgrading our facilities, plus our R&D spend has been quite high for given the size of the company. So, you know, despite all this, at least the revenues haven't been, the numbers, the effort that we have put in, the CapEx that we are putting hasn't translated into numbers yet.

So do you think, you know, now the time has come that at least from FY25, we will see some jump or significant jump in revenues and margins and that will start the momentum, growth momentum for FY26-27?

Anwar Daud: Well, I could explain this in one word, yes. But allowing me to, you know, do it in two or three sentences would be better because then, this is the whole sense of the whole strategic direction that ZIM has taken. It's a pivot from being a largely an RoW and emerging market company, which means the whole canvas of the facility, the products, the kind of people we have, the kind of regulatory culture the company possesses. So this whole pivot has been there.

So we are looking at value rather than the top line. We are looking at safeguarding value for all our stakeholders and shareholders. And we believe that the place that we are going to would offer substantial value because it allows your company to be, more in the space where it is competing with large players and in a very interesting space. If you see, it's not a conventional generics company. So that's taken some time.

But if you see, talking about the profitability, if you see the kind of expansion and the expenses we do on our R&D and the capacity building, large part of those expenses have come from the money we have made. So certainly we, I would say we seem to be on the right track. And the net margin has kept on growing.

So leaving aside the size of the operations at this moment, you would see that the company has always been a very conservative borrower and makes use of the money it makes by creating value. With the margin that it generates, the kind of cost control that it does. In that sense, it's a very judicious and conservative company. And all that we have achieved with all these new products, the capacity that we have built has been largely from our own accrual

Moderator: The next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Yes, sir. So as far as our conversation has been, so in a post-NIP filing, it takes around 1.5-2 years for it to be done, right?

Anwar Daud: That's right.

Darshil Pandya: So as we can see, we have been filed some dossiers in Q2 FY ‘23. So do we expect this to be live in this year? Or any guidance from you?

Anwar Daud: Yes, we expect some of the MAs to materialize this year. And possibly, I don't know. We can't really predict because if you -I'm sure you are aware of the fact that there are big queues in the registration of products, receipt of MAs, and even inspection in all the regulated markets post-COVID. So they are going by their priority. Wherever we feel some of our products are getting some of the MAs on accelerated approval basis, we are optimistic.

Darshil Pandya: Got it. And what will be the market size of this product, sir?

Anwar Daud: The market size will be in billions. We are thinking of maybe 0.25% of that.

Darshil Pandya: 0.25% of the market size?

Anwar Daud: Yes.

Darshil Pandya: And, sir, your comments...

Anwar Daud: Billions. For example, the product that we have filed in totality, the global market size excluding the U.S. would be in 7 or 8.5 billion.

Darshil Pandya: Got it. Okay. And, sir, your views on if you want to see the nexus between the borrowings and the fixed assets, how is it turning out?

Anwar Daud: I think Patro can take this.

Shyam Mohan Patro: Specifically, the borrowings that we are making is towards the term loan and for capex only. So that will have a positive impact because at the moment we are building the structure, building the plant for regulatory compliances, which will add value to our agreement that has been signed and audits have been happening.

Darshil Pandya: Okay. So, where are we in this position? Where will the debt? Will we be taking some more debt on this? Or this is the peak?

Shyam Mohan Patro: See, normally, what happens, suppose I have a requirement of Rs. 100, so I bank on that only to the extent of 25-30. Not beyond that.

Darshil Pandya: Okay, okay. But eventually, we will be taking more debt or no? That's the preliminary question.

Shyam Mohan Patro: It depends on the capex targets. So it is in the process. But at the moment, let me restrict myself to the ratios which I'm talking about.

Darshil Pandya: One last question, sir. We have been seeing a good uptake in the EBITDA margins and previously I heard you saying that some currency issues are getting solved. So what is driving these margins according to the management? Is it only the currency or what are we seeing more?

Shyam Mohan Patro: The product mix and as well as the NIP and OTF what you were discussing, so that is giving a good contribution. My net margin, in spite of there is a big drop in my top line, the net margin remains the same on absolute numbers. So that shows I'm in a strong path.

Darshil Pandya: Okay. Got it. So this is primarily driving the margins, per say. So we see this stabilizing here or because it's somewhere, we are almost at the previous year's margins that we have been doing.

Shyam Mohan Patro: It will be. The reason being the amount of efforts has been given in the company including the... the filing has been done and contracts have been signed with the customers, the large customers. So there should be a positiveness.

Moderator: Next question is from the line of Rohit Suresh from Samatva Investments. Please go ahead.

Rohit Suresh: Good afternoon sir. Thank you for this opportunity! Yes. So on the NIP segment, it's been two to three years since we've been working on this segment. So what have been your key learnings, challenges, over the past two, three years and what steps have you taken to improve our reach in the NIP segment?

Shyam Mohan Patro: Shall I put it in a better perspective? This year, the NIP contributed to the extent of Rs. 241 million and 200% increase on a year-on-year basis. OTF contributed Rs. 131 million.

Anwar Daud: You're talking about the challenges which we have faced. So, of course, there were two things which were new. First of all, we were a new entrant into this market. And secondly, the market itself also found a new player in us who does this kind of complex work. Oral film is actually a change in dosage form. So there are regulatory challenges with proving, your bioequivalency to a tablet or a capsule and the understanding it takes for a regulator to actually accept these products.

I'm happy to inform you that, there are at least two MAs in oral films which we have received. So we understood the challenges and we could interpret them, interpret the bioequivalence, and we received the MAs and we started supplying a few products as well in the regulated markets in oral films. In the NIP, there was a similar situation where because we are addressing some problems in the existing originator molecules and originator products, and we have non-infringing delivery methods and some solutions over the existing products using our technology platforms.

So it's always a little bit difficult to tell a regulator that this is not a me-too product. It is a me-better, but bioequivalent product. And those are the challenges, but it's interesting as well because otherwise, how would any company stand out from the crowd and be able to command some kind of a premium?

So that's what your company is doing. And till this moment, I believe we have had challenges, but we have faced them and there are five filings. We can look forward to the agreements that are being signed now with partners who are quite excited to be able to put these kinds of products into the market and compete with large companies and the me-too people and me-too manufacturers and distributors of these same products because of the USPs that we are bringing in.

Rohit Suresh: Thank you. So my second question would be on the capex guidance. So for the next two years, what will be our capex and how much of it are we going to do through internal approvals and how much will be through debt?

Anwar Daud: I think Patro has already answered that. About 25% to 30% of it would be through borrowing. Rest of it will come from internal accounts.

Rohit Suresh: The CapEx amount, will it be what we did last year?

Anwar Daud: No, now it's easing out. We are in the process of completing what we desired for the list of the NIP that we have. I think we are just looking at enough capacity to be able to service whatever agreements we have signed and whatever market share we are targeting. So that was necessary and we are in the process of completing it.

Rohit Suresh: Got it, sir. Sir my last question would be on the European contribution. So last quarter, you highlighted around third or fourth quarter of FY'25 when you see even the EU part started to contribute meaningfully. So are we still sticking to that guidance of the EU part?

Anwar Daud: The NIP and OTF business, if you see, some of the business was in Europe.

Rohit Suresh: Okay. So in the NIP of the Rs. 24 crores that you have done for the year, how many products are actually started into initial sales that you highlighted?

Anwar Daud: About four to five products.

Rohit Suresh: Sorry, how much?

Anwar Daud: Four to five. Out of which, two contributed about 80%.

Rohit Suresh: Got it, sir. So great, sir. Thank you so much and wish you all the best. Thank you.

Moderator: Thank you. Next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Hi, thanks for the opportunity. Am I audible, sir?

Moderator: Yes.

Yogansh Jeswani: So, sir, I have a question for you in regards to the Nutraceuticals business that we have. So we see quite a lot of fluctuation volatility in the sales of Nutraceuticals. So why is that the case? And going forward, can we expect a sustainable growth in this segment?

Anwar Daud: Yes. By coincidence, the effect of the currency availability problem was more on the Nutraceuticals side because that's where the Nutraceuticals were going in a concentrated manner. So as the currency issues are easing out, probably the Nutraceuticals would little bit come back to -- we hope would come back to the original because that's a legacy business the company has.

So we would continue with them in the old volume and maybe an increasing volume. And we have a few more products in the Nutraceuticals business as well, using our liquid and pellets technology, oil and pellets technology. So probably that would grow because we are also introducing new products in that category.

Yogansh Jeswani: And sir, the margin profile would be similar to our existing product range or would it be better or lower?

Anwar Daud: It would be a little better because Nutraceuticals business as such does not have the kind of technology play that we believe it can contribute.

Yogansh Jeswani: Understood. And secondly, coming to your CapEx part, so this year we see on the books around Rs. 80 crores of gross block has increased and there is further Rs. 20 crores - Rs. 25 crores of CWIP. So if you could broadly break it up in terms of where we have spent in terms of say land, warehousing, plant and machinery, some broad ballpark figure would be helpful. And what is our capex outlay for FY'25 and if possible for FY'26?

Shyam Mohan Patro: Land would be just below 10%. Balance is in my plant and machinery and up-gradation projects and specifically warehouse. And about 25, at the moment I have not disclosed so I am constrained to not to give these figures.

Yogansh Jeswani: Sir, for warehousing you mentioned what was the amount that you spent on warehousing?

Shyam Mohan Patro: Around Rs. 22 crores has been invested in warehouse.

Yogansh Jeswani: And sir, what would be the revenue potential from this entire CapEx in terms of say asset turn if you can share a number or maybe some working days on your NIP projects or anything that you could share?

Anwar Daud: No, the revenue, how much can you do? How much is the capacity? Maybe 2.5 times.

Zulfiquar Kamal: As of now the capacity for NIP projects is hardly utilized, only less than 10% to 15%%. There is a scope to increase up to 40%.

Anwar Daud: Revenue potential. He is asking how much can you do?

Zulfiquar Kamal: That is what we are making going forward, most of our revenues as we mentioned earlier, the market size and all, around 50% going forward the revenue will come from the NIP and the capacity is sufficient to cater that projections.

Moderator: Next question is from the line of Dhwanil Desai from Turtle Capital & Investments. Please go ahead.

Dhwanil Desai: Hi. Good afternoon, sir. My first question is from the NIP side. So 5 filings we have done on the Europe side. So on that if you can give some idea as to whether we have received any MA? If not, how many of them we have already signed agreement with our partners and how do we look at the competitive intensity within each of those segments. We have indicated in our pipeline almost eight filings on the NIP for FY'25. Am I reading it correct? We filed three in FY'24. Are we doing eight filings for NIP for Europe in FY'25?

Zain Daud: Dhwanil, this is Zain Daud. I'll just comment on that. Three filings we have done in Europe. The other eight filings that we are talking about is in the Pharmerging and RoW markets. The European filings stands at five till date. So five products we've filed. Some of them we filed in multiple countries. And for the NIP, so the other filings you're talking about are Pharmerging and RoW. MAs are yet to come from the European market. That is what we are expecting is going to happen in the second...

Anwar Daud: So three MAs are already there and another five have been filed. So our expectation is about two to three MAs would come in this year. That is the expectation. As I said, we have to qualify it because most regulatory authorities are swamped with a lot of work. Once they started operating after COVID, they have a huge waiting list of all companies.

Dhwanil Desai: So sir, all these MAs, so when we say we have signed agreement and based on that we are putting capacity. Essentially, it is for the filed products, right? So let's say if you find five products in Europe, for all the five we have agreement in place. Is that right…?

Zulfiquar Kamal: Most of the products we have agreement in place both for Europe as well as for Pharmerging and other markets. The revenue generation will only start post received of MA. The projections are based on the customers' estimation of the market, what they are going to do and we have to depend on them for marketing these products. So yes, most of the products which have been filed have been supported by sufficient marketing agreements from our clients.

Dhwanil Desai: On competitive intensity side, sir, if you can comment, you said that very few players are there for each of these five products. How do we look at it? Maybe three, four players or more in each of the products?

Anwar Daud: We feel that most of the products that we have labelled as NIP have not more than -- either there is only the -- it's starts from only the innovator being present, so a few products are like that. Most of the products that we have, have three or four competitors. The third part where we have some advantage over the innovator and whatever is available in the market, using our technology, the same products, same bioequivalence, but some advantage in size and some way providing convenience and additional plus point to the patient and therefore to the market as well.

Moderator: Thank you. Next question is from the line of Akshada from Vivog Commercial. Please go ahead.

Akshada: Hello. I'm new to the company. I have a couple of questions. What exactly are NIP products that you are mentioning right now?

Anwar Daud: I think Zain will take this.

Zain Daud: This is Zain. NIP is a term we have coined internally. These are some products in our business line which are at the forefront of the technology and innovation we are trying to do. If I just define them, NIP are basically products which are newer molecules. These are not older than 10 - 20 years. These are just starting to come off patent. They are very complex to make.

What we are trying to do is trying to make them either through a non-infringing technology platform or trying to make them in a way which is bio-equivalent to the originator or trying to add differentiation in the drug delivery. That is why new innovative products, we are adding some innovation into them. And because they are newer molecules, we are expecting that we would be at the front of the line when it comes to generics.

Akshada: Okay. Would there be more API-related newer products or would this be more final formulation-related products?

Zain Daud: The product in itself, the molecule is new. Let's just say the innovator must have synthesized this molecule 20 - 25 years ago. So the API comes off patent, then you get the formulation. We are in the formulation space. We are working on the formulation part of it.

Moderator: Thank you. Akshada, I will request to come back for a follow-up question. Next question is from line of Aditya Sen from RoboCapital. Please go ahead.

Aditya Sen: Hi! Thank you for the opportunity. Sir, I am also a pretty much thinking of the company. I just need to understand is the Q4 number that you have done, is it because of some seasonal impact because we are mostly export-centric and if not seasonal then how much of this is going to be sustained over the coming year FY '25?

Anwar Daud: We are looking at it as easing of the currency problem that we faced in the three quarters prior to that and a spurt in the NIP and oral film business which we were expecting to come in the final quarter of this year. Together they have contributed to this in the quarter.

I think NIP and OTF business as we have said in answer to the few other questions that you are asked, but we think that these two businesses will keep growing as we file and as MAs and the registrations come out in our various markets, that's one. And in our legacy market, of course, as the currency problem is, we will go back to the good old days and we always have had a strong business in the kind of product that we were making in those countries where we faced the currency problem. So on both ends, I think it will be better.

I don't know how much better, but the currency problem impacted the legacy business of the company which has been doing in the last 16-17 years. It's a pretty robust and steady business. So the moment the currency problem is out, we can go back to the old growth and old products which we are already doing well.

Aditya Sen: All right. And is this 13.2% margin that is sustainable for FY '25 and FY '26?

Anwar Daud: Which margin?

Aditya Sen: EBITDA margin of 13%. Is it sustainable for the full year FY '25 and FY '26?

Anwar Daud: It should be.

Aditya Sen: All right. And any aspirational revenue for the coming 2-3 years that you have in the top of your mind?

Management: I'm sorry. We are not in a position to comment on that. We try to avoid giving any future comments.

Aditya Sen: All right. Thank you.

Moderator: Thank you. Next question is from the line of Sanjiv from SA consulting group. Please go ahead.

Sanjiv: Sir, I was reading through a few of the words, then is OTF. Can I know the full name of it?

Anwar Daud: Oral Thin Film. Oral thin film. Also it is known as ODS, Oral Disintegrating Strips.

Sanjiv: Got it, sir. Just now I heard you are developing some newer molecules. Can I know in our existence of the company how much newer molecules we have already developed and they have been in use now?

Anwar Daud: We have never developed a new molecule. The company is a pioneer and a player in the formulation technology area. So using the molecules which are newer, meaning the molecules which are off patent or coming off patent, we create formulations which match or in some way have some kind of unique selling proposition.

Whenever the molecule becomes generic, whenever the generic players are allowed to enter, we use the technology where we feel that we can provide an advantage to the molecule and then we kind of test to see whether it is equivalent but better, more convenient for the patient. That's how we work.

Sanjiv: Good explanation and good clarity now to me about the subject. Now I'm coming to one more point. There is some clerical issue on presentation page number 5 that we have written it as 200% but I think the growth should have been 300% from 8-24 million.

Zain Daud: Which presentation are you referring to?

Sanjiv: Presentation page number 5, the percentage is 200%, according to me it should be three times?

ZainDaud: Are you talking about the slide which has highlights Q4 FY '24 as the heading?

Sanjiv: Sorry, I'm so sorry. It is page number 12. In presentation, where we have shown NIP revenue rising from 8 million-24 million. Growth is 200%.

Zain Daud: It is 200% growth. 80 plus 80 plus 80. We will check that sir.

Sanjiv: Actually, I think it is three times so it should be 300%.

Zain Daud: Percentage wise it will be 200 but we'll get back to you on that. I will get on a separate call with you to discuss that.

Zulfiquar Kamal: Sir, it is 240 minus 80 so it is 16. So, 80/16, that is the 16 is the growth.

Shyam Mohan Patro: 200% is the growth and it went up to 300%. You are right.

Zulfiquar Kamal: You are right. It is 300% achievement.

Sanjiv: Now, coming to license fees earning. So, License fees is our earnings or License fees is the one we have to pay for registration.

Zain Daud: Sir, I think, these kind of questions we will get on a separate call. I will take you through the entire one. We'll keep the questions more towards the quarter and the year. You can get on a call with me. My name is Zain. You have my number on the presentation also. We will get on a call and I'll explain the entire business.

Zulfiquar Kamal: You are invited to visit the plant too.

Sanjiv: So kind of you, sir**.** Sir, can I know your name again? You just said but I could not follow.

Zain Daud: My name is Zain Daud. You will see my name and number at the last page of the presentation. You can get in touch with me and I can get you through the entire business

Sanjiv: I am keenly interested in your company. I would really call you and get details. Thank you very much.

Moderator: Thank you. Requesting participants to restrict to one question per participant and kindly join the que for a following question. Next question is from Rohit Balakrishnan from ithoughtpms. Please go ahead.

Rohit Balakrishnan: Good afternoon. I think you mentioned that today at this point of time there are about 4 or 5 products contributing to our NIP. Out of these 4 or 5, 2 are contributing 80%? So, let's move fast forward to next year end of FY '25. So, this 4-5 will move to how many products as per you? Like the school of 4-5 products will move to how many products and will the kind of concentration that you are seeing will that be there still? Or will other products start to contribute in terms of revenue? I'm only sticking to the next four quarters.

Anwar Daud: I think the second part of your comment makes sense because, as products are registered and they are introduced into the market more and more will start contributing from more and more geographies. It's going to even out. If you see for any company about 20% of the product give about 60%-70% of the business. That's a kind of formula for anything including pharmaceuticals. Isn't it?

Moderator: Thank you. We'll move on to the next question. Next question is from Tushar from Yogya Capital. Please go ahead.

Tushar: Thank you sir. All of my questions have been answered.

Moderator: Thank you. Next question is from Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Hello sir. Thank you for taking my question again. Sir, given you are saying that currency issues and all have gone away now, can we expect some say Rs. 450 -Rs. 500 crores revenue for this year?

Anwar Daud: I qualified my statement, I said the currency issues are easing out. They are not gone away. Unless the global economy itself - the interest rate and all those thing start unwinding. The currency issues in small economies, RoW and emerging markets will continue for some time.

Ankur Kumar: Got it, sir. Can we expect - last year we were at around Rs. 400 crores type revenue can we expect some growth on that for Rs. 450 odd type crores for this year?

Anwar Daud: We are hoping. We have a budget for that too.

Zulfiquar Kamal: We are not giving guidance in the first quarter.

Anwar Daud: In the end we are a value player. We look at the margins and EBITDA more than the top line. The top line will come by itself by their value.

Moderator: Thank you. Next question is from the line of Mohit Jangir from InVed Research. Please go ahead.

Mohit Jangir: Thank you for taking my question. My first question is on the CapEx side as we have incurred CapEx on up-gradation of our plants for regulated market, so will this require an audit from FDA before we can start commercial production of NIP & OTF dossier?

Anwar Daud: Some part of the CapEx has already been audited in January when we had the inspection from Europe. During the year itself there have been several client and partner audits as well. There has been an audit from Turkey, for example. EU, we are expecting the inspection report and the CAPA to be filed by us later in the year. There are several more inspections that have been triggered. As we are in the process of CapEx, we are looking forward to the audits and comments.

Also, we have said a few minutes earlier that the CapEx that has been planned will be slowly closed. We are through most of the CapEx that had been planned 2 years back. That is the status of it as of now. I cannot say whether we will not go into another scheme of CapEx later on. At this moment, it is too early to call.

Shyam Mohan Patro: One more thing, whatever CapEx is building, so this is base in a consulting review as well, the consultants are having a good standing in India, the Pharma consultants. All of these aspects are kept in mind while investing in CapEx.

Mohit Jangir: My question was whether our NIP commissioning will be delayed because of the CapEx.

Anwar Daud: No, no.

Mohit Jangir: My second question is on R&D side. So our R&D expenses which are recurring and hit on a profit and loss. They have remained the same as to FY '23 numbers, while capitalized numbers have increased. So can you explain what are these expenses, and what is the budgeted R&D

spend for FY '25 is percentage of revenue or in absolute term? How many NIP are we expected to file in FY '25?

Zulfiquar Kamal: So as you very rightly said the R&D spending will be equivalent to the percentage of around between ranges of 7% of the total revenue. It will remain the same. The pipeline of R&D is in process. We are in process of filing and developing new products as per the technology which has been already developed by us, oil and pellet technology and other technologies and more NIP and non-infringing products will come out.

So it will be in the same range of last year what things we are doing and NIP filings we are this last whatever we have been filed around seven product last year we continue to plan the same this year also but it depends on various factors of completing Bioequivalent studies and other completion of other dossiers and other required studies to be done.

Moderator: Thank you. Next follow-up question is from Ankit Gupta from Bamboo Capital Partners. Please go ahead.

Ankit Gupta: I have two questions. One on the domestic market. We have seen a significant jump in our revenues in the domestic market in FY24. Is this a sustainable number that we are looking at? And we also did PFI filings which are there. We also heard about NIP products which are planned for the domestic market. So if you can talk about that.

And the second question was on, this NIP products, out of the five products which we have filed in the European markets, how many are expected to be launched in the second half, as you were saying, and the CapEx that we've done of, Rs. 80 crores this year, what kind of asset terms do we see over the next two three years?

Zulfiquar Kamal: Yes, so first point I will explain the domestic market. So first, the most important thing, we are not selling PFI in the domestic market. So the most important, we are only selling formulation in the domestic market and which is going as per the plan. We are expecting the similar business…

Ankit Gupta: Yes, our domestic market performing not PFI so a domestic market revenues have scaled up from Rs. 35 crores in FY '23 to Rs. 65 crores in FY '24…

Management: So it may not be at the same percentage growth but definitely the growth will be there in the domestic market that is the plan for the current year.

Ankit Gupta: Is this the new base now Rs. 65 crores.

Management: It should be, it should be.

Ankit Gupta: And NIP products in the domestic market if you can talk about that?

Management: Yes, most of the, in some share of NIP product is included in the domestic market and we are trying to increase that share also.

Moderator: Thank you. Next question is from the line of Anmol Das from Arihant Capital. Please go ahead.

Anmol Das: So, sir I wanted to understand that we have been using your R&D spend over the years and wanted to understand the kind of the product and the molecule that you are saying. So what kind of new molecule is under development?

Management: We are not basically an inventor of new molecules. We are a formulator of existing molecules which are off patent or coming off patent and which have, we use our own platform technologies and we try to give an advantage to be the molecule from what they are being used the way in which they have been used maybe they have some problem for example in swallowing or taste or so we try to make it more convenient. So it is a generic product with a difference using technology that's what we do.

Moderator: Thank you. Next question is from the line of Dhwanil Desai from Turtle Capital & Investments. Please go ahead.

Dhwanil Desai: If I look at your slide number 15, where you given the filings and etc, I think that some doubt, I think Zain tried to answer that, but I am still confused. So it mentions that product 4, 5, 6 is filing for registration in EU in FY’25 and then product 9 to 13 again filing for registration in EU and in other target markets in FY’25. So all in all, 8 products. So how many of them we are planning to file in EU market out of those 8?

Zain Daud: So we have filed 5 totally. That is, if you're looking at the slide, product 1 and 2 have been filed, right? Product 3 has also been filed. And we have filed 2 more, which is product 7 and 8. So 5 we have done. Now remaining what we are planning to do is going to be in FY’25.

Moderator: Thank you. Next question is from the line of Rohit Balakrishnan from ithought PMS. Please go ahead.

Rohit Balakrishnan: Yes, hello. So my question was, sir, if I look at your gross loss today, it is about Rs. 300 crores. And historically, so far our asset terms have been around 1, close to 1.1, 1.2 based on the revenues that we are doing. Now obviously you're saying NIP are going to be better value. So, as the business sort of evolves over the next 2-3 years, what kind of asset terms are you looking at? I think Mr. Daud said that you are looking at 2.5 times. So is that the number? I'm not asking when this will happen, but just generally...

Anwar Daud: The installed capacity can deliver that kind of...

Zulfiquar Kamal: So very rightly said, yes, we are looking at that number. And that is the ideal number which should go, because the present capacity is not yet fully utilized. It is just started for the NIP. The products are filed, the facility is ready, it has been inspected, and agreements have been signed. So definitely the projections of the customers are there, but it all depends on the market, continuous market, and then the customer, the product comes and the repeat order comes. Definitely we are looking at that number.

Moderator: Thank you. Next question is from the line of Mohit Jangir from InVed Research, please go ahead.

Mohit Jangir: Yes, sir. First of all, please let me ask my question. You did cut me in between because I was asking my question, I was in the queue from last 45 minutes and from the very beginning, you should moderate the session, not in the end. So that is the feedback for IR. So sir, my question is on the R&D side. I was asking what is the budgeted R&D spend for FY'25 and if I have understood it right that recurring expenses will remain the same while capitalized can increase in FY'25?

Zulfiquar Kamal: Yes, so as I mentioned earlier also, we are spending around 7% to 9% since last many years. The R&D expense continues to remain the same of the total revenue. Again, you are absolutely correct. First, let me apologize you for the wait and I am sorry for that. As far as the answer to your question is concerned, the recurring expense will continue as you have seen in the presentation, our R&D team is stable and we are trying to increase our R&D team.

All our expenses on the revenue side expenditure are being debited to P&L because they are all recurring as per the accounting standard has to be debited. Only the bi-equivalent studies and the product registration expenses are being capitalized and going forward, when you see the pipeline as mentioned in page number 14 or 15, so their bi-equivalent studies are going on.

So whenever the payment comes on that part, it will be definitely capitalized and it will be more because this year we will be planning to around 14 - 15 filings and development product will be there and similarly the registration expenses of Europe will come which is a little bit costly. So yes, the filings and the R&D expenses will be capitalized and it will be more this year.

Mohit Jangir: Okay. Sir, my last question is on the balance sheet side, if I may ask.

Anwar Daud: Yes.

Mohit Jangir: Okay. So sir, do we expect the debt to come down in FY'25 and what is our inventory management plan? Is our inventory levels have increased substantially during FY'24? And what is the normalized fixed asset turnover we are targeting?

Zulfiquar Kamal: First, let me answer the inventory part. Yes, the inventory was a little bit increased for the planning part because we had received marketing planning but most of it was delivered in the last quarter and it is now being stabilized at our normal level of inventory and the debt part may initially increase because the projects are, as mentioned earlier, the projects are just getting completed so around 10% debt may go up, post that once the projects are complete and the repayment starts, debt will start coming down.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as a last question. I will now hand the conference over to the management for closing comments.

Anwar Daud: Thank you. We have tried to address all your queries. Should you have any remaining questions, please feel free to reach out to our Investor Relations agent, Go India Advisor or our Investor Relations In-charge, Mr. Zain Daud. He was good enough to give us the number and everything so we welcome all your queries. Both will be more than happy to assist you further. Thank you and have a great day ahead.

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