



Zeal & Innovation in Medicine

Ref No.: ZLL/CS/BSE/NSE

Date: 21.08.2023

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 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 Q1 FY24 held on Wednesday, 16<sup>th</sup> August, 2023. 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 Nikhade)  
Company Secretary and Compliance Officer  
Membership No. A38972

**ZIM LABORATORIES LIMITED**

[www.zimlab.in](http://www.zimlab.in) | [info@zimlab.in](mailto:info@zimlab.in) | CIN : L99999MH1984PLC032172

Works : B-21/22, MIDC Area, Kalmeshwar – 441 501 Dist. Nagpur  
Maharashtra, India. Ph. + 91.718.271370 | Fax : +091.7118.271470

Regd. Office : Sadoday Gyan (Ground Floor), Opp. NADT, Nelson Square,  
Nagpur – 440013. Maharashtra, India. Ph. +091.712.2981960



## “ZIM Laboratories Limited Conference Call”

**August 16, 2023**



### Management:

**Dr. Anwar Daud** - Chairman and Managing Director, ZIM Laboratories Limited

**Mr. Zulfiqar Kamal** - Director Finance, ZIM Laboratories Limited

**Dr. Chandrashekhar Mainde** - Executive Director and Chief Executive Officer of ZIM Health Technologies Limited

**Mr. Shyam Mohan Patro** - Chief Financial Officer, ZIM Laboratories Limited

**Mr. Zain Daud** - Investor Relations, ZIM Laboratories Limited

Moderator: **Ms. Deepika Sharma** - Go India Advisors



*ZIM Laboratories Limited  
August 16, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to ZIM Laboratories Limited Conference Call hosted by Go India Advisors.

As a reminder, all participant lines 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 \* and then 0 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.

**Deepika Sharma:** Thank you, Yashashree. Good afternoon, everyone, and welcome to the Q1FY24 Earnings Call of ZIM Laboratories Limited.

We have on the call Dr. Anwar Daud, Chairman and Managing Director; Mr. Zulfiquar Kamal, Director Finance; Dr. Chandrashekhar Mainde, Executive Director and Chief Executive Officer, of ZIM Health Technologies Limited; Mr. Shyam Mohan Patro, Chief Financial Officer; and Mr. Zain Daud, Investor Relations.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the Company faces. May I now request the management to take us through the "Financial and Business Outlook," subsequent to which we will open the floor for Q&A. Thank you, and over to you, sir.

**Dr. Anwar Daud:** Thank you very much, Deepika. So, I am Anwar Daud, speaking now.

Good morning, ladies and gentlemen, esteemed shareholders, and analysts. I would like to extend a warm welcome to all of you as we gather today to discuss our company's performance in the first quarter of Fiscal '24. I am pleased to share with you the progress we have made in line with our core strategy despite facing certain challenges. Our business faced some headwinds this quarter, which resulted in a decrease in the revenue. A majority of this is attributed to a drop in exports of nutraceutical products in certain ROW markets due to a shortage of US currency in those regions. Keeping in mind this challenge and foreseeing a possible delay in payment, we were conscious to remain prudent in this business.

Our pharmaceutical export business for Q1 24 has tracked closely with the performance of Q1 23. Growth was hindered in the business due to a significant amount of PFI business shifting to the next quarter. Despite these challenges, our commitment to innovation remains unwavering. In this quarter, we have filed 20 dossiers of New Innovative Products (NIP) across Pharmerging and RoW markets. This significant effort adds to the momentum generated by the 2 NIP product dossiers filed in the EU during the previous quarter. Moreover, we have also submitted 19 upgraded dossiers of our existing products across Pharmerging and RoW markets.

Results have been promising for our NIP products, which demonstrated significant revenue coming in from manufacturing and sales of these NIP products during Quarter 1, amounting to Rs. 47 million. This is in addition to the dossiers and licensing fees received. Additionally, we have made significant strides in our oral thin film products, with revenue coming in from Europe this quarter. We have also submitted 6 dossiers in the Pharmerging and ROW markets for this business. ZIM and its partners also received 5 marketing authorizations on ZIM's dossier in Pharmerging and RoW markets, reflecting regulatory approval and endorsement of our products, quality and safety.

Our commitment to research and development remains strong, with an investment of Rs 53 million in Quarter 1 of 2024, representing approximately 8% of our total operating income. This investment reflects our determination to stay at the forefront of innovation and industry advancement. In terms of infrastructure development, we have added Rs 181 million to our gross block during Quarter 1, primarily allocated to the construction of a new warehouse, enhancing our manufacturing facilities and optimization of our products. These endeavors are essential in ensuring our operations remain efficient and aligned with our growth strategy.

At this point, I am handing this over to Mr. Shyam Patro to discuss the financial highlights of the company. Shyam, over to you.

**Mr. Shyam Mohan Patro:** Thank you, sir. Good afternoon to all of our esteemed participants.

Let me present the overall "Financial Results" for Quarter1 of FY24:

Our financials for the quarter indicate both positive and challenging trends. The Total Operating Income for Quarter 1 was Rs. 674 million, showing a decline of 27% on a year-to-year basis and 36% on a quarter-to-quarter basis. Our EBITDA for Q1 FY24 was Rs. 59 million, with EBITDA margin tracking at 8.8%. While the Profit After Tax for Q1 was at Rs. 2 million, the PAT margin from the same period was at 0.3%.

Our exports, which constitute a substantial portion of our revenue, stood at 80% of our total operating income. The Total Exports in Quarter 1 FY24 amount to Rs. 539 million, a 29% decrease compared to Rs. 758 million in Quarter 1 last year. This was influenced by the currency shortages in certain RoW markets and a shift of significant PFI business orders to quarter two of this year. On the positive side, our Finished Formulations Exports witnessed impressive growth, reaching Rs. 202 million in Quarter 1 this year from Rs. 135 million in Quarter 1 last year, making a remarkable growth of 49.6% on a year-to-year basis.

Furthermore, our gross contribution for Quarter 1 FY24 has seen an improvement, reaching 48% compared to 43% last year. Our operating costs also reduced in Quarter 1 this year versus last year, reflecting resilience of our business model and highlighting efficiency in our operations. It is important to note that during this quarter, the liquidation of escrow sales resulted in an inflow of funds totaling Rs. 306 million. This inflow contributed to lower borrowings and

subsequently lower finance costs in the coming quarters, effectively bolstering our financial health.

I would now hand over the floor to the Managing Director to share his closing thoughts. Thank you.

**Dr. Anwar Daud:** Thank you, Shyam. In conclusion, I want to reiterate that while we have faced certain challenges this quarter, our commitment to innovation, quality, and strategic growth remains the same. We remain confident that these setbacks are temporary. We believe that the majority of the businesses impacted will rebound over the coming quarters as and when the current situation stabilizes and supply agreements are honored. We are confident in our ability to overcome these challenges and continue on our journey towards sustainable growth and value creation for our stakeholders. We would now like to open the floor for further questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Any one who wishes to ask a question may press \* and 1 on their touchdown telephone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to use their handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We have our first question from the line of Darshil Pandya from Finterest Capital. Please go ahead.

**Darshil Pandya:** Hello sir, Good afternoon. Given the currency crisis in the region impacting our revenues this quarter, do we anticipate a shift in our targeted market for products in the future?

**Dr. Anwar Daud:** No, I do not think so. We do not anticipate.

**Darshil Pandya:** Okay. And sir, how do we differentiate from our competitors in the OTF segment?

**Dr. Anwar Daud:** See there are various points of differentiation that we have presented from time to time. First of all, the accreditations that we have in Pharmaceuticals, EU accreditation and also for the Nutraceutical NSF accreditation. Then the portfolio, for oral film, I think it is a fairly large portfolio in different therapy segments. Then the first-mover advantage is there; we already have two MAs and several filings are there in the regulated markets. We already started supplying the European market in this quarter, which is also there. Finally, we just do not make Oral dispersible films. We make Oromucosal and sublingual films as well. That is the strength of the technology platform that we have, which has been branded Thinoral Technology. So, in that sense it is, besides the R&D center that we have, where we have co-development projects as well, of which we have been aware to all our shareholders and stakeholders from time to time. I think there is a rich; there is a depth of research; there is market penetration; all of them are there.

- Darshil Pandya:** And on the margin strength, do we anticipate the stabilization of the margins following this quarter?
- Dr. Anwar Daud:** The margins are, as we have already provided in the last few (if you have seen the oral film margins), they remain the same, and we do anticipate that they will improve as we enter into the regulated markets, which are presumed to provide us higher margins, but we have just started.
- Darshil Pandya:** And any major CAPEX lined up for FY24 and FY25?
- Mr. Zulfiqar Kamal:** So, the CAPEX are already on, as mentioned earlier, also that it is on the similar lines what we are doing. Only the warehouse has been now completed, but other CAPEX of two projects are still underway, and it will be on a similar line which has been done last year.
- Darshil Pandya:** One final question, if I may ask. Can you provide an insight into the utilization of the consideration that we have received on the escrow share, sir?
- Mr. Zulfiqar Kamal:** Yes, it has been just utilized, particularly for reducing our cash credit and working capital loans. That is what has been given in the presentation: that it will impact our borrowing costs going forward.
- Darshil Pandya:** Thank you so much, sir and all the best.
- Moderator:** Thank you. We have a next question from the line of Jainil Shah from JM Financial. Please go ahead.
- Jainil Shah:** Hello! Thank you for the opportunity. My first question is on the NIP filing in the EU. So, we are supposed to file 4 products. Where are we on that and any licensing income visibility?
- Dr. Anwar Daud:** I think we have already given information on this, and there is no new information to be given for this quarter. On the licensing income, we did receive some milestone payments, and they are reflected in our presentation. We are still on track for the 4 filings this year. Did I answer your question?
- Jainil Shah:** Yes. And on the currency-related issues and some orders being deferred, so by when do you expect this situation to normalize, and any revised guidance that you would like to give for FY24?
- Dr. Anwar Daud:** See, I think it is difficult to quantify this kind of future, but we already from the order list that we have, we can see that it is evening out. There has been a significant improvement in the situation in the markets that we operate in. We do believe that these are temporary phenomenon which keeps on happening, and this is all a result of the tightening in the US. Any change in the US currency policies do impact global sentiments. But I think Pharma businesses is in general

everything evens out, and we have seen these kinds of cycles before as well. And after quarter two, maybe we will think of what we can revise or what we can come back to you with.

- Jainil Shah:** Sir, as of now, mid-teen growth is still achievable?
- Mr. Zulfiquar Kamal:** Yes, as of now, we are just judging the market. So, the detailed revised guidance will be more clear by the end of the quarter 2. So, we will be revising the guidance only after quarter two.
- Jainil Shah:** Okay, okay. That's helpful. Thank you!
- Moderator:** Thank you. We have a next question from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.
- Yogansh Jeswani:** Hi Sir. Thank you for the opportunity! Sir, like we mentioned in our opening remarks, one of the reasons for the lower Quarter 1 was the nutraceutical order not coming through because of the US dollar shortage. The other reason that we mentioned is that some PFI regular order has got missed and will probably come back to us in quarter two. So, is it possible to quantify how much of that order was missed this quarter?
- Dr. Anwar Daud:** Yes, I think it is not really possible because the orders were there, but the postponement was mutual and the contract is still alive. And I think in the end, there is only one reason for why this order was postponed, that is the currency shortage and your company is prudent. So, we also decided not to go ahead with procurement and supply of order, which were already there, but there was a currency procurement delay. The order has come in. Just to answer this question another way is that a large chunk of that order has been received in quarter two.
- Yogansh Jeswani:** Okay and we now see the dollar shortage issue normalize.
- Dr. Anwar Daud:** I think it will stabilize.
- Yogansh Jeswani:** Good. So, On the nutraceutical side, what is the trajectory that we are seeing? Do we see still some more pain in it because last year our nutraceutical business had done fairly well? This year, what is our expectation with the nutraceutical business?
- Dr. Anwar Daud:** I think there will be some pain, which will again even out because this is the first year of operation after the COVID-19 surge in nutraceutical business. For some time, presumably, there has been some oversupply by all nutraceutical players. It will even out, but the nutraceutical story remains strong because prescribing habits and the lifestyle habits do not change once they catch hold, and we feel that nutraceutical we have a strong story for us.
- Yogansh Jeswani:** Right! Secondly, in one of our presentations, like you mentioned about some marketing rights that we have got, I think 5 marketing authorizations that we have got in Pharmerging and RoW markets, and then we have also filed 6 new dossiers in OTF in Pharmerging and RoW markets.

So, all these together combine what is kind of business that you are expecting from these, and also if you could also talk about what these marketing authorizations mean to us and how will they change the business profile in the next, say, one or two years?

**Dr. Anwar Daud:** It is too early to quantify because we have just received them, and the projections that we started off with when we filed need to be revised looking at the ground realities now. In the quarters to come, perhaps we can come back with far more ideas about how we are able to quantify. The most markets which have some relevance for our business, there is a gap of six months to two and a half years between the filing and actually receiving the MA. So, situations are always different when the MA is received, and we and our partners do, we look at the situation and then come back with what the market could be like once we start operations in those territories. So, it is too early yet, and....

**Yogansh Jeswani:** When you say between the filing and MA and the time which you received the MA, things in the market might change, and we might not maybe proceed with all the filed MAs that we have received, or you...

**Dr. Anwar Daud:** It can go either way. It can be better than what we anticipated or dampened due to some other changes in that market, competitive landscape, and other things. So, it is only after you get the MA that you can actually evaluate and quantify.

**Yogansh Jeswani:** And sir, another interesting update that we noticed was that we started out in Australia and New Zealand market by appointing marketing and distribution partners. So, if you could just talk a little bit more about the potential out there in these markets and what is our strategy and currently is New Zealand and Australia contributing anything to our business, or this will be a fresh start?

**Dr. Anwar Daud:** This is likely to be a fresh start. It is based on the strategy of leveraging our NIP and oral film products in regulated markets, select regulated markets with our own brands partnering with strong players in that market, and we have started. So, and we feel that these are markets worth investing in because of the kind of margins we see for the kind of products that we make.

**Yogansh Jeswani:** Lastly. So, if you look at the R&D that we do, we have done substantial amount of R&D, and every year we keep filing new and new NIPs, dossiers, and all those things. So, in terms of, say, the amount that we have invested so far in last 5-7 years and the amount that we will spend going forward, what is the kind of returns that we expect by putting in so much money? Also, we have now put up a dedicated subsidiary company which will be focusing on R&D. We have a big team in place. So, basically, a lot of infrastructure and lot of manpower is going into it. So, how is the management thinking in terms of the amount of money that you are putting in and the kind of returns that we expect to reap out of all these efforts, hard work, and, of course, the money that we have put behind all this?

**Dr. Anwar Daud:** Well, you know R&D is the only way in which you can address the change, the rapid changes that are taking place in the pharmaceutical business and all around us. It is the right strategy



because that is what will differentiate your company from the others. Our play is not the conventional product play, and therefore we feel good strategy for survival, sustenance, and increasing profitability, gaining of the profit margins over a period of time. So, the strategy in that sense is right. Returns are already coming in from the ROW and Pharmerging markets. As I said, we did Rs. 47 million, only with NIP products in the last quarter. So, you can imagine, and this is just domestic and ROW. So, that is the right way to do it, and if you see, the investment in R&D is not just an investment in R&D because the conceptualization of our product starts from R&D, but it is an investment in quality and how conscious now India is about maintaining its reputation in quality, and innovation. So, we will continue to invest. But we will be always prudent and judicious about giving whatever money we have in a way that it is sustainable for the company, and then it helps the future direction of the company.

**Yogansh Jeswani:** That was it. Thank you to you and the team.

**Moderator:** Thank you. Ladies and gentlemen, to ask a question please press \* and 1 on your phone now.

We have our next question from the line of Rohit Balakrishnan from Ithought PMS. Please go ahead.

**Rohit Balakrishnan:** Hello Sir. So, sir, just a few questions. So, one is, out of these NIPs, how many would be that we are filing or already filed? If you can just talk about how many would be OTFs and how many would not be OTFs, any broad comment you want to make?

**Dr. Anwar Daud:** We have put this number for you in our presentation, this presentation that we have, and the previous one. NIP is unique and differentiated capsules and tablets, and there is no OTF filed in this last quarter, although the partners, as we said there are 5; we have given this in the presentation. We have quantified how many NIPs we are going to file this year. So, that is on track. Those intentions are on track. 4 more NIPs are to be filed this year. And NIP is not OTF. OTF is separate, and the NIP portfolio is separate. NIP is tablets and capsules and dry syrup.

**Rohit Balakrishnan:** Right, right. So, these 20 dossiers that you already filed for NIP, so how many of them would be in the developed markets, or these are not developed at all? you mentioned Pharmerging.

**Dr. Anwar Daud:** As we said, ROW and Pharmerging.

**Rohit Balakrishnan:** So, Pharmerging but will not have anything in developed?

**Dr. Anwar Daud:** Yes, we have filed 2. As we have already informed, we have filed 2 another 4 are in line for filing this year; that is what we are expecting.

**Rohit Balakrishnan:** Got it. Sir, this Q1 you said, you just mentioned this Rs4.7 crores that you bought from NIP alone. So, with all the registrations that you are doing now and also the dossiers that you are

filing and also the ones that you filed in the EU, so how do you see this number for the financial year 24?

**Dr. Anwar Daud:** It is too early to call. We just started; we have filed. Like I said, the time gap between filing and actually getting the MA would be 18 to 24 months in the regulated market. Sometimes more; in some markets, it is more. In the RoW and Pharmerging market is less between six months to a year and year and a half. So, numbers cannot be committed at this moment because the landscape changes, the competitive landscape changes, the conditions, it is like you know, we are trying to inform all the shareholders and stakeholders that with so many filings. First of all, there is substantial derisking on the bets we have made on these products because they are all over the global geography, RoW, emerging, and regulated. It is also different regions, different geographies. So, that is the strategy: make unique products; this is the business by growing to various geographies, different types of economically differentiated markets.

**Rohit Balakrishnan:** So, one question just sort of in terms of your gross margin, this quarter was very good. Loss contribution was 48.4, was it driven by the revenue from NIP or some other lower margin products were not there, if you can just talk about that as well?

**Mr. Zulfiqar Kamal:** So, it is the due to product change mix and definitely the NIP product, the margins are high. So, some of the impact has come from the NIP products, including oral thin films, and some of the lower product sales, product sales have not been achieved in this quarter. So, the overall impact is increase in the gross margin.

**Rohit Balakrishnan:** And sir, could you talk about how much? I mean, I do not know if you answered; my line was briefly disconnected. So, I do not know if this question was already asked and you answered it. In terms of the Nutraceutical business, we have seen around Rs. 17.5 crores decline, and you mentioned that some of the things are improving now, so this is like loss sale, or do you see it coming back like you mentioned PFI is already coming back, and some of that order has already received in Q2, but in Nutraceuticals this is like loss sale, or...

**Dr. Anwar Daud:** I think we could safely say that it is too early to call now at this moment; maybe after the second quarter we would be able to come back and because it is too early really.

**Mr. Zulfiqar Kamal:** The formulation in the PFI business of Pharma business, the order has come, but the Nutra, it is too early to comment on this quarter. We will be only able to comment by the end of this second quarter.

**Rohit Balakrishnan:** Fine sir. And just last question, so in the last call, you have mentioned that basically our base business that we have that will continue to grow at a certain rate. Obviously, there is some change now in terms of certain macro things happening, but do you see that having some impact on this year? I mean that 15% odd growth that you mentioned that the base business will have, do you see some impact on that in this year or again if you want to have any comment on that?

**Mr. Zulfiqar Kamal:** So, that already we have mentioned in the earlier question, as of now, we are assessing the whole situation of all various markets in the Pharma and Nutra product. We will be able to come out with the clear guidance and the revised guidance by the end of Q2.

**Rohit Balakrishnan:** Thank you, sir. That is it from my side.

**Moderator:** Thank you. We have our next question from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai:** Hi! Goodafternoon everyone. So, sir, my first question is on the OTF side, so when we are looking at the OTF landscape, our understanding is that this technology is around 10 – 12 years old worldwide, and there are few other players like Aquestive, Intel, ATAI, etc., and some of the larger players like Aquestive is like \$40 million around revenue. So, technology which is 10 -12 years old already commercialized, and the largest player is around \$40 million, so is there any restriction in terms of size of the opportunity where OTF can be commercialized? Any thoughts on that?

**Dr. Anwar Daud:** See, the market is about \$6 or \$7 billion market, and the largest product is in excess of \$1 billion, and the revenue is in excess of \$1 billion. There is only one product which contributes this much, it is SUBOXONE and in fact, even though the old technology is 12 years old, if you see historically, the whole pharmaceutical business is about 250 years to 300 years old, and this is a new dosage form which is 12 years old, so certainly we are an early mover and it is moving slowly, but I think being an early mover, will have its own reward, especially if you, I am sure you must have heard I answered one of the questions on what differentiates us is the accreditation, the kind of work we have done, the kind of technology we have built up, and the versatility that we have in this technology. So, once the acceptance grows, we are very well positioned to take advantage of the growth of this dosage form in the global markets. We have regulated market dossiers ready, we have got partnerships in place, the market is especially growing in Nutraceutical in the developed market, and we have NSF registration. An interesting area is the e-commerce marketplace. We do think that this dosage form provides advantages, because it is a new dosage form and because it is difficult to convince the existing prescribers or patients to suddenly start appreciating its advantages because they are used to taking something which is different for a long time. We do see a gradual acceptance of this dosage form in all the markets that we are in. Just to repeat myself, about the first supplies to Europe took place in this quarter.

**Dhwanil Desai:** Sir, when we are looking at the indication, essentially it could be categorized into 3-4 areas, one is Opioid use disorder and CNS, like Parkinson's, Seizures, and Migraine; then Nutraceuticals and then are some allergic things. So these are the 3 or 4 major indications under which most of the OTF players are playing, so are we present across all of them, or are we only restricted to certain areas in terms of the product development or approvals? If you can talk a bit about that.

**Dr. Anwar Daud:** We are therapy agnostics, and we are like as you said and you are asking this questions, so the answer is yes, we are present in all the segments. And the idea is as you said, that at this moment most companies are present in CNS, and those therapeutic segments actually lend themselves well to this dosage form, but in general there is a trend for this new molecule then the newly coming off-patent molecules and drugs to be smaller and be more potent, and therefore that is why they have increased role for this dosage form to play in the coming future.

**Dhwanil Desai:** And sir, the second question was on NIPs, so if you can talk a bit about on the NIP side, I understand some of these are complex generics with some different delivery systems, right? So, delivery system is the place where probably we are bringing innovation part?

**Dr. Anwar Daud:** What I will do is because there is one gentleman who has not spoken in the entire conversation, and that is Dr. Chandrashekhar Mainde, who is the person behind many of these platform technologies in NIP. So over to you Dr. Mainde, maybe you can speak better on these things.

**Dr.Chandrashekhar Mainde:** Good afternoon. See this NIP product, we are presenting with respect to the advantages to the patients. As we have already indicated in one of the first filings, there is an added advantage of the size of the capsule. And as a second product, we are also submitted to the European Union; we have a very specific Cold Forming Technology. So, this NIP products, what we are doing, are a generic product, but they are adding the advantage over the existing generic. Existing generic mean, first of all, that they are just what you say, going out of patent the originator. So, this will have advantages over the originator, not the normal generic players, but the advantages over the generic. And what we are talking about the 5-6 products, there is a very limited generic competition; there will be few generic players as there is a very high technology, and in this high technology and product, we are having some advantages that will boost the promotion of our products in this markets.

**Dhwanil Desai:** So, is it fair to understand, sir, that let us say if once the product goes off patent and becomes a generic, instead of an innovator, maybe there are 8, 10, or 15 players which comes into play, and even within those, you will try to play in an area where the number of players is less and even within those number of players, we will have some advantage over the other generic player? Can we say we are having that?

**Dr. Chandrashekhar Mainde:** That is right; what you have said is right. Let us take the first example. As I told you, we have already filed, and that gives us a size advantage, so even after there are generics, but when our product is superior to that of the generics with everything that is in the generics. So, that will be an added advantage for us.

**Dhwanil Desai:** Okay. And also, sir, when we look at some of the regulatory market products list that you have, we have some products like Mirabegron or Tofacitinib they are still under patent, so are we also trying to crack some of those products which are under patent which probably going to be off patent later?

**Dr.Chandrashekhar Mainde:** As we disclose, some of these products are in our pipeline, but at present, I think about the technologies of these products, how we will work on the patent, and...

**Dr. Anwar Daud:** I think some of it comes as a secondary development; you are talking about the cracking of the patent. If you see, there are some products which have been in the market for as many as 60 years or 30 years without any formidable competition because of the technology barriers, so this is what ZIM does best and the purpose whenever it uses this technology barrier. ZIM is also mindful of providing a convenient and treatment-adherence advantage to the patient, and for its partner a technology barrier, which cannot be so easily overcome. At the same time, the third advantage like, as Dr. Mainde was saying in some cases we have tried to improve upon the product that the originator already makes. See the shortcoming in the originator's presentations or the dosage form in which the originator is presenting itself and the kind of observations of the patients have made over a period of time, even though it is an original product and trying to improve upon it. So, that is what he is saying.

**Dr. Chandrashekhar Mainde:** We can make only one statement. What products you talk, we are in this line, and we are observing these products on our platform-based technologies, which will offer an added advantage over the innovators products.

**Dhawnil Desai:** Got it, sir. It was very helpful, and thank you for such a detailed explanation.

**Moderator:** Thank you. Ladies and gentlemen, to ask a question, please press \* and 1 on your phone now.

We have our next question from the line of Prafull Rai from Aarjav Partners. Please go ahead.

**Prafull Rai:** And I have a few questions, in the quarter your top line was affected because of dollar shortage; could you just give some sense in terms of what is the revenue contribution from the market where your sales are affected because of this dollar issue?

**Mr. Shyam Mohan Patro:** So basically, our 80% revenue comes from exports only. The reason for the deviation is that dollar availability in the market was less. As per the policy of the company, unless and until we get the advance, or else we will not ship.

**Prafull Rai:** So, how much it impacted?

**Dr. Anwar Daud:** I think about 150 million to 200 million is impacted, and most of it is a deficient in the Nutraceutical part of the business.

**Mr. Shyam Mohan Patro:** And apart from that, there is some shipment of movement of orders from Q1 to Q2.

**Prafull Rai:** What would be that quantum like if, in case, you can get some sense of numbers?

**Mr. Shyam Mohan Patro:** So, Q2 results are yet to publish, so we limit ourselves to this statement only at the moment.

- Prafull Rai:** Right! The second one is on the R&D side, we continue to spend on R&D. Do you have any sort of thought process in terms of what is the kind of payback period for the R&D expenses we do in sense like, because the allocation continues to be on the higher side, whether the revenue goes up and down? Any kind of insight you can give on the way you think on the payback for the R&D expenses?
- Mr. Zulfiquar Kamal:** So, as mentioned earlier by Dr. Anwar Daud, the R&D expenditure has got 2 parts: number 1 is on the development of the NIP products, and second upgradation of the dossiers and systems of the existing manufacturing facility. So, the return on investment of NIP products, as mentioned, started in the first quarter when we started receiving the sales from RoW and emerging markets, and that will continue to grow in the next quarter and it will grow significantly in the next quarter for RoW and the domestic and emerging market, for which we have started replacing the orders. So, as soon as the sales will increase, our (ROI) Return-On-Investment product-wise will also be given, and we are getting this in coming quarters and when the EU registration comes as mentioned earlier, it takes around 18 months to come. I think six months have already been gone for two products, and another four products will be filed this year. So, by end of the next year, the EU revenue will also start generating, where we are expecting an increase in margin and better return on investment on the product which has been done.
- Prafull Rai:** The third question was about marketing authorization; could you specify what regions have you got these authorizations from?
- Dr. Anwar Daud:** These are basically received from Europe. In the RoW and Pharmedging, there are 220 areas, so at this moment it is difficult to quantify, but maybe in due course of time we will also be providing that the specific information whenever contractual obligation permit. Sometimes there are contractual obligations where confidentiality is required, so those we can't give accepting by saying the name of the product and other things cannot be disclosed, but whenever we can, we will certainly keep on providing and updating this on our website.
- Prafull Rai:** But these are largely European markets, right?
- Dr. Anwar Daud:** No, as I said earlier, these are Pharmedging and RoW markets where we are active.
- Prafull Rai:** No, I am saying the marketing authorization which you have got; I was asking for the regions from which we got these authorizations from.
- Dr. Anwar Daud:** We have 5 MA received in Europe and 5 are received in Pharmedging and RoW markets, in the last quarter.
- Prafull Rai:** Okay, Okay. Thank you!
- Moderator:** Thank you. We have the next question from the line of Karthi from Suyash Advisors. Please go ahead.

- Karthi:** Sir, Good afternoon. So, a couple of questions: one, can you talk about the current contribution of thin films from India and any new products in the pipeline that you can highlight, sir, immediately within the next 3 months whatever?
- Mr. Zulfiqar Kamal:** The current contribution as of now, the total sales in India is around, we can say, not that significant; it is below around 5%, we can say. The new product of oral thin film, as mentioned in our presentation and by Dr. Daud, we have got market authorization from Europe.
- Karthi:** I am asking you specifically about India.
- Mr. Zulfiqar Kamal:** So, India as of now, there the contribution is very low.
- Karthi:** And what is the pipeline looking like? How many products are in the pipeline?
- Mr. Zulfiqar Kamal:** In India, there are a lot of products in pipeline, but due to various considerations and the partnering available, we are in the form of Pharmaceutical and Nutraceutical. The products are there, but we are not getting the traction as of now with the required margin what we have. So, the focus has now been shifted to Europe.
- Karthi:** Thank you, sir.
- Moderator:** Thank you. We have our next question from the line of Keval Doshi, an Individual Investor. Please go ahead.
- Keval Doshi:** Hello! My question is that we lost sales during this quarter due to our customers not being able to give us the Letter of Credit. What I understand so far is our business model is we don't sell directly to customers in various geographies; we have our marketing partners who do that. So, would it be fair to assume that our marketing partners have failed to provide the ships, and therefore we have not been able to ship the goods?
- Mr. Zulfiqar Kamal:** Sir, the customers are basically the distributors and the B2B manufacturers, so we are supplying to them directly. The marketing partners are mostly in the formulation segment, and through them also we have certain geographies. There were issues of the LC delay. So, in both cases, but the PFI part, in the next quarter we have compensated, we have received the order, and received the advance also.
- Keval Doshi:** So, you mean to say that it is not a complete loss and we are going to recoup the part of the business?
- Mr. Zulfiqar Kamal:** Yes, in the Pharma front, we are planning to recoup on the part of the business.
- Keval Doshi:** What is our model for the nutraceutical business?

- Mr. Zulfiqar Kamal:** It is of the similar nature. The nutraceutical customer is yet to confirm the LC and the advance.
- Keval Doshi:** So, does it mean for the customer also this would be a loss of business?
- Mr. Zulfiqar Kamal:** That is true; if he does not buy the businesses, he will also not take ships.
- Keval Doshi:** We can understand we don't have exclusive arrangements with any customers. So, we have to dispatch...
- Mr. Zulfiqar Kamal:** No, there are no exclusive arrangements with customers unless and until it is a co-development project where they have paid for the co-development of our new product.
- Keval Doshi:** So, from a strategy point of view, do we talk to parallel customers to make sure that if somebody is not able to pick up?
- Mr. Zulfiqar Kamal:** That already has been initiated, sir. The marketing agent, the marketing head, and the businesses head have already initiated with other customers, and we have started engaging that also. As mentioned earlier by Dr. Daud, we have started looking at other markets, Pharmerging and other markets for the sale of products, both in Pharma and Nutra.
- Keval Doshi:** So, from a long-term point of view, we have superb R&D, we have products which we have innovated which are difficult to copyright, and our success is dependent on how deep the pockets are, how interested our marketing partners or our distributors are. So, is this something which you are thinking to correct from a long-term point of view?
- Mr. Zulfiqar Kamal:** Yes, this was already in the process of correction. We were diversifying our market position. We are going into LATAM Pharmerging and other developed markets by improving the quality of our product. But this setback came a little bit earlier. As per our strategy, we are going ahead with the NIP product also, and we will be marketing it. As we mentioned earlier, we have opened our own subsidiaries and appointing our own marketing partners. But this is a temporary setback looking at these few quarters; our core strategy remains the same.
- Keval Doshi:** Thank you!
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the conference to Dr. Anwar Daud for closing comments. Over to you, sir.
- Dr. Anwar Daud:** Thank you very much, and I think it has been a good conversation. Good day to all of you. We will be coming back to you with many of the questions that have been raised, and as usual, I assure on behalf of all of us here, to all the stakeholders and investors that this company will continue to remain very transparent, and any material change or any material development will be promptly made available in public domain and certainly if there is any other question, you are free to write to our Investor Relations Executive and, we will be very happy to keep in touch





*ZIM Laboratories Limited  
August 16, 2023*

and give you a very forthright and trying to reply on anything that you have raised as long as we are able to do it. Thank you.

**Moderator:**

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