

Zim Laboratories Limited

October 03, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	139.47 (Reduced from 149.37)	CARE BBB; Stable	Reaffirmed
Short-term bank facilities	16.00	CARE A3	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Zim Laboratories Limited (ZLL) derives strength from its strong promoter background, with over three decades of experience in the pharmaceutical industry, and the company's established track record. Ratings favourably factor in ZLL's research and development (R&D) capability, diversified geographical presence, and favourable industry outlook. Ratings also derive strength from its comfortable financial risk profile marked by healthy solvency. Ratings take note of growth in its scale of operations and profitability in FY25 (FY refers to April 01 to March 31), despite moderation in Q1FY26.

These strengths are partially mitigated by stabilisation and implementation risk associated with the planned debt-funded capital expenditure, presence in a highly regulated industry, intense competition in overseas markets, product and customer concentration risk, and foreign exchange fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantially increasing scale of operation over ₹500 crore and sustainably improving profit before interest, lease rentals, depreciation, and tax (PBILDT) margins above 17% on a sustained basis.
- Improving capital structure with overall gearing below 0.20x.
- Successfully and timely completing the expansion project and achieving desired benefits from this.

Negative factors

- Deteriorating operating profitability margin, PBILDT margin to 9% leading to adverse impact on liquidity.
- Adverse regulatory action against ZLL, significantly impairing the group's credit profile.
- Undertaking un-envisaged large debt-funded capex or working capital requirements leading to overall gearing weakening over 0.75x on a sustained basis.

Analytical approach: Consolidated

CareEdge Ratings has analysed ZLL's credit profile by considering consolidated financial statements owing to financial, business, and operational linkages between the parent and subsidiaries. Entities consolidated have been listed under Annexure-6.

Outlook: Stable

Stable outlook reflects that the company will continue to benefit from the extensive experience of promoters and established track record in the pharma industry.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and established track record

The company has an experienced management team comprising Dr. Anwar Daud, Dr. Kamlesh Shende, and Dr. Kaka Saheb Mahadik. Dr. Anwar Daud has been associated with the industry since 1981 and is responsible for product and business development. Dr. Kamlesh Shende has over 30 years of experience in regulatory affairs in the pharmaceutical sector and has served as Drugs Formulation Expert for Maharashtra. He was also a member of the National Subcommittee on Formulations constituted by the Drugs Consultative Committee. The directors are supported by a second-tier management team and a team of scientists. The company also has experienced professionals leading key business functions, each with over three decades of experience in the pharmaceutical industry. The promoters' long-standing presence has enabled them to gain adequate industry acumen and ensure smooth operations.

Comfortable leverage and coverage indicators

Over the years, with accretion of profits to net worth and repayment of long-term debt, the company's capital structure remained comfortable indicated by comfortable overall gearing at 0.48x as on March 31, 2025 (0.48x as on March 31, 2024). Debt coverage indicators marked by PBILDT interest coverage, though slightly deteriorated due to an increase in finance cost, also remained

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

comfortable at 4.29x in FY25 (FY refers to April 01 to March 31) compared to 6.83x in FY24. Total debt to gross cash accruals (TD/GCA) also remained comfortable at 3.52x as on March 31, 2025 (2.89x as on March 31, 2024). Going forward, the impact of debt-funded capex plans on the company's capital structure will remain a key monitorable.

Diversified geographical presence with focus on R&D

The company has a diversified market presence in over 20 countries, with most of the revenue generated from regulated markets. In FY25, domestic and overseas markets accounted for ~21% and ~79% of total operating income (TOI), respectively. The company exports to countries in Middle East, Asia, Africa, Latin America, and North America. It has 40 registered products and 130 products in the pipeline for overseas markets. The company has strategically focused on markets with better profitability and lower working capital requirements. Its geographically diversified revenue base reduces exposure to economic slowdowns in a single geography. The company has a strong focus on R&D, with over 90 scientists at its R&D centre in Nagpur working on innovative drug delivery systems. The R&D department also works on improving drug bioavailability and stability and developing new drug delivery systems. The company aims to launch new products every year.

Improved yet moderate scale of operations and PBILDT margin in FY25; softening seen thereafter in Q1FY26

The company's scale of operations remained moderate despite registering a growth of 4.15% in FY25 over FY24. TOI increased to ₹394.75 crore in FY25 (₹379.03 crore in FY24), driven by growth in new innovative products (NIP) and oral thin films (OTF). Export revenue also increased due to higher demand from key international markets. PBILDT margin improved from 11.91% in FY24 to 12.16% in FY25, supported by sustained export momentum and contributions from high-value innovative products. However, higher interest and depreciation expenses moderated the profit after tax (PAT) margin to 3.08% in FY25 from 4.55% in FY24.

TOI declined to ₹71.76 crore in Q1FY26 compared to Q1FY25, due to a reduction in exports resulting from lower contribution of innovative products to the topline and supply challenges in the Middle East and North Africa (MENA) region due to geopolitical instability. PBILDT margin declined to 7.99% in Q1FY26 from 15% in Q1FY25, attributable to the topline decline. Consequently, the company reported a loss at the PAT level. Going forward, the company's ability to scale up operations and regain profitability will remain a key monitorable from a credit perspective.

Key weaknesses

Product and customer concentration risk

ZLL offers product portfolio of innovative drug delivery systems that caters a wide range of therapeutic areas. Some products in their portfolio include Oro dispersible tablets, quick dissolving films, taste-masked granules, modified-release tablets, pellets, and powders. Although there is diversified product portfolio, revenue dependence on top five product segments is slightly high. Moreover, revenue concentration from top five product segments contributes 57% sales in FY25 (61% in FY24). Moreover, the top 10 customers contribute to ~46% revenues in FY25 higher from ~36% FY24. Moreover, single customer has continued to ~14-15% revenue exposing ZLL to customer and product concentration risk.

Stabilisation and implementation risk associated with planned debt-funded capex

ZLL is undertaking organic expansion by enhancing its manufacturing capacity in multiple products. The total project cost which is yet to be incurred, including machinery procurement, is estimated at ₹60.42 crore as on June 30, 2025, of which ₹21.53 crore is from internal accruals and ₹40.87 crore is from external debt. Key projects include a new Tamsulosin and Dutasteride manufacturing facility and relocation of the cephalosporin unit to comply with European Union Good Manufacturing Practices (EU GMP) and World Health Organization Good Manufacturing Practices (WHO GMP) standards.

Working capital intensive operations

ZLL's working capital cycle deteriorated to 125 days in FY25 compared to 111 days in FY24, primarily due to high inventory and collection periods. In the domestic segment, ZLL derives revenue mainly from government bodies and institutions such as state government hospitals, railway boards, and municipal corporations, which typically have a longer credit period of 97 days. ZLL generally extends a credit period of up to 90 days, while availing a credit period of 90-120 days from its suppliers. ZLL had prepared inventory for Intapharm Laboratories, for which off-take is delayed. Additionally, the company has stocked inventory for an anticipated order from the United Kingdom, which is under validation pending drug stability results. Execution will commence post-validation.

Foreign exchange fluctuation risk

ZLL faces significant foreign exchange fluctuation risk, with 75-85% of its revenue derived from exports in the last three years ending FY25. The company operates in international markets with transactions in multiple currencies, primarily USD, Euro, and GBP. Fluctuations in exchange rates may impact revenue and profitability. ZLL has entered contracts with major clients at fixed exchange rates to mitigate this risk. The company also continually assesses cost structures, engages with customers to address currency volatility, and enters hedging transactions as needed.

Intense competition and exposure to regulated risk

ZLL faces intense competition in international markets. Pricing pressure, increasing regulation, and heightened sensitivity towards product performance are key challenges in the pharmaceutical industry. The industry is highly regulated globally due to its direct impact on public health. Patent laws and related regulations may restrict pharmaceutical companies from launching new products or entering new markets. ZLL's Nagpur manufacturing plant underwent inspection by German and Portuguese regulatory authorities from June 30, 2025, to July 04, 2025, as part of EU GMP compliance. The inspection report dated July 31, 2025, cited

two critical, eight major, and 18 minor deficiencies, which were related to documentation and not product quality. ZLL has appointed external experts and submitted its Corrective and Preventive Action (CAPA) plan to Neuraxpharm (formulator in the European Union region), who has forwarded it to the EU GMP authorities. The company does not anticipate major capex for implementing corrective actions, which will be funded through internal accruals.

Liquidity: Adequate

The company's liquidity remains adequate, marked by sufficient cash accruals against modest repayment obligations and a modest cash balance. GCA are expected to be in the range of ₹35-₹40 crore against repayment obligations in FY26 (FY refers to April 01 to March 31) of ₹38.25 crore. The company had an unencumbered cash and cash equivalent balance of ₹2.04 crore as on March 31, 2025. With comfortable overall gearing, the company has sufficient headroom for raising additional debt for its capital expenditure. Utilisation of fund-based limits continues at ~75% for the 12 months ending July 2025, and the average non-fund-based utilisation has been ~25% in the last 12 months ending July 2025.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Pharmaceuticals](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals and Biotechnology	Pharmaceuticals

ZLL is a pharmaceutical company based in Nagpur, India. The company was founded in 1989 by Anwar Daud and Harshal Daud. ZLL is engaged in developing, manufacturing, and marketing pharmaceutical products in dosage forms, such as tablets, capsules, liquids, gels, and powders. The company is known for its innovative drug delivery technologies, which are designed to improve the efficacy, safety, and convenience of pharmaceutical products. The company has developed several proprietary technologies, including Zaydis, which is a fast-dissolving oral dosage form, and Quick Solv, which is a fast-dissolving effervescent tablet. ZLL has received several awards and recognitions for its contributions to the pharmaceutical industry, including the prestigious India Pharma Awards. The company is committed to quality and has received certifications from regulatory authorities, such as the WHO-GMP and ISO 9001:2015.

Financials: Consolidated

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26(UA)
Total operating income	379.03	394.75	71.76
PBILDT	45.16	48.01	5.74
PAT	17.25	12.17	-1.87
Overall gearing (times)	0.48	0.48	NA
Interest coverage (times)	6.83	4.29	1.74

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Financials: Standalone

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26(UA)
Total operating income	377.06	391.42	71.43
PBILDT	43.91	47.61	5.81
PAT	16.76	11.74	-1.69
Overall gearing (times)	0.49	0.49	NA
Interest coverage (times)	6.64	4.26	1.76

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	80.50	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	February 2031	58.97	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	16.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	58.97	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Oct-24) 2)CARE BBB; Stable (03-Apr-24)	1)CARE BBB; Stable (05-Jun-23) 2)CARE BBB; Stable (06-Apr-23)	-
2	Fund-based - LT-Cash Credit	LT	80.50	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Oct-24) 2)CARE BBB; Stable (03-Apr-24)	1)CARE BBB; Stable (05-Jun-23)	-
3	Non-fund-based - ST-BG/LC	ST	16.00	CARE A3	-	1)CARE A3 (08-Oct-24) 2)CARE A3 (03-Apr-24)	1)CARE A3 (05-Jun-23)	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	ZIM Laboratories FZE	Full	Wholly owned Subsidiary
2	SIA ZIM Laboratories Limited	Full	Wholly owned Subsidiary
3	ZIM Health Technologies Limited	Full	Wholly owned Subsidiary
4	ZIM Thinorals Private Limited	Full	Wholly owned Subsidiary
5	ZIMTAS PTY LTD	Full	Subsidiary
6	ZIM Scientific Office LLC	Full	Step-down Subsidiary
7	ZIM Laboratories Middle East DMCC	Full	Step-down Subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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