

Zim Laboratories Limited

October 08, 2026

Facilities/Instruments	Name of the Regulator ¹	Amount (₹ crore)	Rating ²	Rating Action
Long-term bank facilities	RBI	127.48 (Reduced from 139.47)	CARE BBB; Negative	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	RBI	12.00 (Reduced from 16.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed ratings assigned to bank facilities of Zim Laboratories Limited (ZLL) at 'CARE BBB' and 'CARE A3', while revised the outlook from 'Stable' to 'Negative'. Revision in outlook reflects decline in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin to 9.87% in FY26 (FY: 12.53%, FY refers to April 01 to March 31) and to 2.60% in Q1FY27 (Q1FY26: 5.93%) considering increased overhead and change in product mix. Loss reported in Q1FY27 has widened compared to Q1FY26. Ratings assigned to bank facilities of Zim Laboratories Limited (ZLL) derive strength from its strong promoter background, with over three decades of experience in the pharmaceutical industry, and the company's established track record. Ratings also factor in ZLL's strong research and development (R&D) capability, diversified geographical presence, and favourable industry outlook. Ratings derive support from its comfortable financial risk profile, characterised by healthy solvency and a stable scale of operations. These strengths are partially mitigated by the stabilisation and implementation risks associated with the planned capital expenditure, presence in a highly regulated industry, intense competition in overseas markets, product and customer concentration risk, and foreign exchange fluctuation risk.

The EU-GMP inspection authorities had issued a report dated July 31, 2025, indicating that the facility is in non-compliance with EUGMP requirements, identifying two critical, eight major, and 18 minor deficiencies that resulted in cessation of sales of pharmaceutical products in the EU and other markets accepting the EU-GMP certificate. However, EU exposure remained ~17% of total operating income (TOI) in FY26 (PY: ~16%). The company submitted and implemented Corrective and Preventive Actions (CAPA), post which authorities have conducted the audit again in May 2026, however its outcome is awaited, and will continue to remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantially increasing scale of operations over ₹500 crore and substantially improving 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 the desired benefits.

Negative factors

- Deteriorating 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-5

Outlook: Negative

The outlook for ZLL has been proposed to revise from 'Stable' to 'Negative' due to deterioration in the PBILDT margins in FY26 and Q1FY27, considering increased overheads and change in the product mix towards low-margin therapeutic segments impacting the profitability. The outlook may be revised to 'Stable' on increase in the profitability from sales of new high margin products post successful approval of Corrective and Preventive Actions submitted by the company resulting in reinstatement of EU-GMP certification.

¹SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

²Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Detailed description of key rating drivers

Key strengths

Stable scale of operations but moderation in PBILDT margin witnessed in FY26

The company's scale of operations remained largely stable at ₹382.08 crore in FY26 (A; PY: ₹383.18 crore). TOI was supported 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 declined to 9.87% in FY26 (PY: 12.53%), primarily due to change in the product profile towards low-margin therapeutic segments, considering non-compliance with European Union Good Manufacturing Practice (EU-GMP) requirements per the inspection report dated July 31, 2025. Profitability was further impacted by higher operating costs considering recruitment of senior-level personnel for future growth and expenditure incurred towards addressing compliance observations. TOI improved to ₹94.18 crore in Q1FY27 (UA; PY: ₹71.76 crore), driven by execution of orders carried forward from Q4FY26 to the Middle East due to disruptions arising from the West Asia crisis. However, ZLL reported a net loss of ₹4.02 crore in Q1FY27 (UA; PY: loss of ₹1.87 crore) compared to a profit of ₹3.74 crore in Q4FY26. The loss was considering lower operating profitability due to higher cost of materials consumed, employee expenses, power and fuel expenses, and other operating expenditure incurred towards CAPA implementation. Gross margin remained healthy at 58.09% in Q1FY27 (UA; PY: 58.18%) and improved by 286 basis points from 55.23% in Q4FY26.

Comfortable leverage with moderate debt coverage metrics

Over the years, with accretion of profits to net worth and capital infusion by way of preferential issue, the company's capital structure remained comfortable, as reflected in its overall gearing of 0.43x as on March 31, 2026 (0.48x as on March 31, 2025). Debt coverage indicators, marked by PBILDT interest coverage ratio, remained comfortable at 2.91x in FY26 (A; PY: 4.29x), despite moderation mainly due to decline in PBILDT followed by higher finance costs. Total debt to gross cash accruals (TD/GCA) deteriorated to 5.10x in FY26 (A) (PY: 3.52x) considering reduced profitability resulting in lower GCA and higher debt levels arising from increased working capital borrowings and ongoing debt-funded capital expenditure.

Diversified exports supported by strong R&D

ZLL has a diversified market presence in over 20 countries, with most of its revenue generated from regulated markets. In FY26, domestic and overseas markets accounted for ~19% and ~81% of TOI, respectively. The company exports to countries across the Middle East, Asia, Africa, Latin America, and North America. The company has 40 registered products and ~130 products across stages of registration and development for overseas markets. The company continues to focus on markets offering relatively better profitability and lower working capital intensity. Its diversified geographical presence mitigates its exposure to demand fluctuations and economic slowdowns in a single market.

The company has a strong focus on R&D with TOI contribution of 8-9% towards R&D including Bioequivalence (BE) studies and registrations in the last three years. The company has over 100 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.

Experienced promoters and established industry presence

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 pharmaceutical 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. He has served as drugs formulation expert for Maharashtra and was also a member of the National Subcommittee on Formulations constituted by the Drugs Consultative Committee. 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 in the pharmaceutical industry has enabled the company to develop strong industry understanding and support stable business operations.

Key weaknesses

Moderate product and customer concentration

ZLL offers a portfolio of innovative drug delivery systems that caters to a wide range of therapeutic areas. Its product portfolio includes Oro dispersible tablets (ODT), quick dissolving films, taste-masked granules, modified-release tablets, pellets, and powders.

Despite a diversified product portfolio, revenue concentration remains moderately high, with top five therapeutic segments contributing ~59% of sales in FY26 (PY: ~57%). Increase in contribution from top therapeutic segments indicates continued dependence on a limited set of products.

Customer concentration also remains moderate, with top 10 customers accounting for ~48% of revenue in FY26 (PY: ~46%). In addition, the largest customer contributed ~14%-16% of revenue, exposing the company to customer concentration risk.

Stabilisation and implementation risk associated with ongoing capex

ZLL is undertaking capacity expansion across multiple product categories to support future growth. As on July 31, 2026, the estimated project cost yet to be incurred, including machinery procurement, stood at ~₹35.00 crore. The project is proposed to be funded through ₹35.00 crore of the preferential issue raised in February 2026. Key projects that the company has undertaken in FY26 and FY27 include separation of the Tamsulosin Dutasteride manufacturing facility, 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 and setting up of a separate Pancreatin Conversion plant. The company incurred capital expenditure towards implementation of CAPA following the EU-GMP revocation. The company completed capex for Tamsulosin Dutasteride and Cephalosporin facilities, and the facilities are operational. The sizeable capex programme, however, exposes the company to project implementation and stabilisation risks. Delay in project completion, cost overruns, or slower-than-expected ramp-up of operations could affect the envisaged benefits and exert pressure on cash flows and leverage metrics. The company's ability to complete the projects within budget, achieve timely stabilisation, and generate adequate returns from the expanded capacities will remain a key monitorable in the medium term.

Working capital intensive operations

ZLL's working capital cycle deteriorated to 135 days in FY26 (PY: 130 days), primarily due to higher inventory holding and elongated collection period. In the domestic segment, ZLL derives a significant portion of its revenue from government bodies and institutions, such as state government hospitals, railway boards, and municipal corporations. Receivables from such entities are generally characterised by longer credit periods, resulting in higher collection days. The company generally extends a credit period of ~90 days to its customers and receives a credit period of 90-120 days from its suppliers, which partly supports its working capital requirements.

Exposure to foreign exchange fluctuation risk

ZLL faces significant foreign exchange fluctuation risk, with 70%-80% of its revenue generated from exports in the three-year period ended FY26. The company operates across multiple international markets and undertakes transactions primarily in US Dollar (USD), Euro (EUR), and British Pound Sterling (GBP). Consequently, adverse movements in foreign exchange rates can affect its revenue realisations and profitability. To mitigate this risk, ZLL has entered contracts with major customers at fixed exchange rates. The company also regularly evaluates its cost structure, engages with customers to address currency volatility, and undertakes hedging transactions, whenever required, to manage its foreign exchange exposure.

Exposure to regulatory risk and competitive pressures

ZLL faces intense competition in international markets. Pricing pressure, stringent regulatory requirements, and increasing customer focus on product quality and performance remain key challenges in the pharmaceutical industry. The pharmaceutical industry is highly regulated globally owing to its direct impact on public health. Patent laws and regulatory requirements may restrict product launches and entry into new markets. As part of European Union Good Manufacturing Practices (EU-GMP) compliance requirements, ZLL's Nagpur manufacturing facility was inspected by German and Portuguese regulatory authorities in Q2FY26. The inspection report dated July 31, 2025, highlighted two critical, eight major, and 18 minor deficiencies, which were related to documentation and not product quality. Subsequently, ZLL appointed external experts and implemented a CAPA plan. Following this, a re-inspection was conducted by the German and Portuguese authorities in May 2026. However, reinstatement of the EU-GMP certification remains awaited. The delay in obtaining reinstatement of EU-GMP certification may continue to affect sales from regulated European markets in the near term. The company's ability to obtain the certification, restore exports to affected markets, and improve profitability will remain a key monitorable from a credit perspective.

Liquidity: Adequate

The company's liquidity remains adequate, marked by expected cash accruals sufficient to cover its repayment obligations and a healthy liquidity buffer. GCA are expected to remain in the range of ₹25-₹30 crore against repayment obligations of ~₹22 crore in FY27. The company had an unencumbered cash and cash equivalent balance of ₹42.93 crore as on March 31, 2026, which included proceeds of ₹35.00 crore raised through a preferential issue in February 2026. The company's comfortable capital structure, reflected by low gearing, provides adequate financial flexibility to raise additional debt for its planned capital expenditure, if required. Average utilisation of fund-based working capital limits remained at ~87% for 12 months ended June 2026, while average utilisation of non-fund-based limits stood at ~31% in the same period.

Assumptions/Covenants: Not applicable

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, engaged in developing, manufacturing, and marketing pharmaceutical products such as active pharmaceutical ingredient (API) intermediates, formulations, and nutraceutical products in the form of Oral Thin Films (OTFs), in dosage forms such as tablets, capsules, liquids, gels, and powders. The company has also established partnerships with leading pharmaceutical companies in India and around the world to develop and market its products and acts as a contract manufacturer.

Brief Consolidated Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	383.18	382.08	94.18
PBILDT	48.01	37.72	2.45
PAT	12.17	5.84	-4.02
Overall gearing (x)	0.48	0.43	NA
Interest coverage (x)	4.29	2.91	0.67

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

Brief Standalone Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	380.88	378.73	93.05
PBILDT	48.65	37.87	2.41
Profit after tax (PAT)	11.74	5.97	-3.87
Overall gearing (x)	0.49	0.45	NA
Interest coverage (x)	4.35	2.92	0.66

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

For complexity level of instruments rated refer to Annexure-1
Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:

A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	RBI	Not applicable	-	Not applicable	-	-	80.50	CARE BBB; Negative
Fund-based - LT-Term Loan	RBI	Not applicable	-	Not applicable	-	31-01-2031	46.98	CARE BBB; Negative
Non-fund-based - ST-BG/LC	RBI	Not applicable	-	Not applicable	-	-	12.00	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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	46.98	CARE BBB; Negative	-	1)CARE BBB; Stable (03-Oct-25)	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; Negative	-	1)CARE BBB; Stable (03-Oct-25)	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	12.00	CARE A3	-	1)CARE A3 (03-Oct-25)	1)CARE A3 (08-Oct-24) 2)CARE A3	1)CARE A3 (05-Jun-23)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	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
							(03-Apr-24)	

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Lender details

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

Annexure-5: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	ZIM Health Technologies Limited	Full	Wholly owned subsidiary
2	SIA ZIM Laboratories Limited	Full	Wholly owned subsidiary
3	ZIM Laboratories FZE	Full	Wholly owned subsidiary
4	ZIM Thinorals Private Limited	Full	Wholly owned subsidiary
5	ZIMTAS PTY Limited	Full	Subsidiary
6	ZIM Laboratoires Middle East DMCC	Full	Wholly owned subsidiary
7	ZIM Scientific Office L.L.C., UAE	Full	Wholly owned 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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