

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs525	23.35	Accumulate	Rs625	19%

\*as on 21st July, 2025

### About the Company:

Vimta Labs Limited (Vimta), headquartered in Hyderabad was established in 1984. It is India's most comprehensive, contract research and testing organization, providing wide range of services to pharmaceuticals, biopharmaceuticals, food, consumer products, agrochemical, healthcare, medical device and many other industries. The business landscape includes analytical, clinical, preclinical services to life sciences industries; quality and safety testing for food and beverage industries; and environment services to a wide spectrum of industries. The company has been supporting many national and overseas companies for more than three decades, for their third party testing, research and outsourcing needs. With a highly diverse, multi-disciplinary team of 1000+ employees, including scientific and technical professionals, the company's expertise and high standards of quality systems have enabled it to partner with global market leaders, as well as small, medium and virtual companies, across industries. Ms. Harita Vasireddi is the Managing Director.

### Results: Quick Glance:

- The total revenue for the quarter grew by 30.3% to Rs976mn as compared to Rs749mn in the same quarter last year
- The Ebitda margin for the quarter under review stood at 34.5% as against 34.6% in Q1FY25
- The company reported a net profit of Rs189mn as against Rs139mn in the comparative quarter
- The EPS for the quarter under review stood at Rs4.25 as compared to Rs3.14 in the corresponding period of last year

### Conference Call Highlights:

- In terms of Indian market opportunities, the pharmaceutical & analytical market is expected to grow at a CAGR of ~10.7% by 2030, preclinical: CAGR of ~11.4% by 2030, food testing: CAGR of ~8.9% by 2033, environment testing: CAGR of ~8.1% by 2030 and electronics testing: CAGR of ~8.6% by 2028
- On the segmental performance, the Pharma continues to be the major contributor (~65-70%) to the revenues followed by foods segment (~20% contribution to revenues) while the balance 10% is from electronics and environmental testing business segments
- For **CRO industry**, the clinical trial pipeline is very encouraging for Vimta wherein the company had already undertaken its 1st trial for a client last year. In addition to this, the company has witnessed decent enquiries as well in the last quarter of which some of them are in final stages of conversion while overall the pipeline is progressing well. There has been a healthy traction for pharma across pre-clinical and clinical research with immense opportunities to unfold. Vimta offers services for clinical trials from phase 1 to phase 4 and post market surveillance solutions
- **Foods segment:** The segment has reported consistent growth. The Management has indicated of opening a new food lab in Andhra Pradesh to cater to the demand needs. The JNPT food lab has stabilised and meets the internal estimates of the company
- The **electronic and electricals (E&E) segment** reported stable performance in Q1FY26. The second EMI/EMC chamber has been installed and qualified during the quarter under review; both these chambers will be a part of the new building. The Management foresees this business segment as a sunrise industry with major thrust particularly from defence and telecom anticipated over the next couple of years (where Hyderabad is the major hub). The regulations are being developed and the industry is expected to have good growth opportunities over the medium to long term
- The **exports** have increased from ~Rs866mn in FY24 to ~Rs1,364mn in FY25; this was primarily led by pharma services across pre-clinical, clinical as well as analytical services. The Management has indicated this segment to be a focus area going forward as well
- **Inspections:** The company successfully completed USFDA GCP inspection with zero Form 483 observations and received letter of cGMP compliance from ANSM (EMA) during the quarter under review
- For the **biologics CDMO business**, the Management has indicated of having already commenced its work with few pharma clients for new product developments (small molecule peptides and biologics), and analytical services. The equipment procurement has already been initiated and the commercialisation is expected from Q1FY27. In terms of competition, there are leading companies in the CRDMO space but for Vimta in specific, the company benefits in terms of offering end-to-end solutions which provides opportunities across the globe. As far as challenges are concerned; the Management has indicated that the Indian market is yet to see traction for biologics (as the focus is more towards peptides); the facility will be utilised for peptide as well as biologics. The CRDMO industry is growing at a rate of ~9-13% at the global level

### Conference Call Highlights (contd.):

- For tariff related concerns, it would be a wait and watch in context to the impact on exports. With regard to putting up a facility in the US, at present there are no plans as indicated by the Management
- **Financials:** (i) the total debt as of 30th June, 2025 stood at Rs70.3mn, (ii) cash and cash equivalents including other bank balance stood at Rs150mn as of 30th June, 2025, (iii) total capex spend/outgo as of 30th June, 2025 stood at Rs241.2mn. For FY26E, the capex chalked is ~Rs1000mn; of which ~30% will be directed towards contract research and biologics, new equipments, replacement, digitisation and automation, (iv) the Management has reiterated its earlier guidance of achieving an exit run-rate of Rs1,250mn per quarter from Q4FY26 onwards, however with additional capacity addition alongwith redesigning initiatives for some labs (this has costs associated with it), the Management expects the margins to be impacted by ~1-2% from the upcoming quarter but will stabilise over time

### Financials:

Performance (Q1FY26)							
Q1FY26 Result (Rs mn)	Jun-25	Jun-24	y-o-y	Mar-25	q-o-q	FY25	FY26E
Total Revenue	976	749	30.3%	944	3.3%	3440	3973
EBITDA	337	259	29.9%	330	2.0%	1219	1380
Other Income	17	7	-	16	6.6%	42	42
Interest	3	5	(33.3%)	4	(28.1%)	19	15
Depreciation	99	80	23.6%	92	7.1%	353	395
Tax	64	43	49.4%	67	(5.1%)	222	271
Net Profit	189	139	35.9%	183	3.1%	668	741

### Outlook and Recommendations:

The company has started the financial year on a strong note with highest ever quarterly revenue reported with a growth of ~30.3% majorly led by pharmaceutical & food contract research and testing services offered by the company. Split of revenues across the business segments of Pharma (~65-70%), food testing (~20%), electronic and environmental testing (~10%) largely remains the same. The Ebitda margins in Q1FY26 have remained more or less flat at ~34.5% despite the overall cost pressures. In terms of the growth across the different segments; the Management has indicated that demand across the major contributing segment of Pharma continues to be healthy with increased traction in clinical and analytical services, supported by capacity expansion and deeper client engagements. The food testing segment also is portraying consistent growth and the company has opened a new food lab in Andhra Pradesh to meet the demand. The food samples from JNPT have also stabilized and are meeting the company expectations. On the clinical trials, which is relatively a new venture for Vimta, one trial was successfully completed in FY25 and the company is in the process of on-boarding more clients in FY26E as the pipeline of enquiries is encouraging. The new segment addition of biologics CR&D (initial investment of Rs500mn) would be a growth story with the evolving needs of the biopharmaceutical sector; Vimta already having peptide and biosimilar related comprehensive capabilities. The electronic and testing segment is on the growth trajectory with the addition of the second chamber to double capacity for the segment. The performance has been stable for the quarter; with future prospects being strong through the major push coming from defence (catering to indigenization) and telecom segment. As it is a sunrise industry and with regulations being developed, there shall be opportunities in times to come. There has been traction seen in the exports mostly in Pharma services covering pre-clinical, clinical as well as GMP related works. With regard to guidance, the company has reiterated that the revenue target of Rs5bn by FY26E was chalked based on robust growth contribution factored from the diagnostic business; which is now hived off as it didn't work as per expectations; there has been change in vision to achieve exit run-rate of Rs1,250mn per quarter from Q4FY26 onwards. For the margins, with the increased capacity and according ramp up being undertaken, pressure of ~1-2% on the Ebitda margins can be expected from the current quarter which would stabilize with time. The company has capex plan of Rs1bn with almost 30% to be deployed towards the biologics CR&D, equipment replacement and purchases coupled with digitalization and automation. The company has been focusing on continuous innovation and measures to improve efficiencies. Vimta has declared a bonus of 1:1 indicating the strong financial position and growth confidence. Overall, the Management continues to be optimistic about the strategic direction coupled with robustness of service offerings which can drive sustainable growth going forward. We maintain an Accumulate on the stock for an adjusted target of Rs625.

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