

## Vimta Labs Ltd. – Investment BUY Call – 6 Months Horizon

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 24 May 2026

CMP -> 452

Upside Potential-> 15%

Investment Horizon -> 6 Months

Target price -> 520

Vimta Labs Ltd. presents an attractive BUY opportunity for investors with a medium-term investment horizon of 6 months, supported by its strong positioning in the Contract Research & Testing Organization (CRTO) industry and its diversified business model. With more than four decades of operational expertise, the company has established itself as a credible and trusted partner across pharmaceutical research and development, food and Agri testing and electronics and electrical testing consultancy services. Its diversified exposure across multiple regulated and high-growth industries provides revenue stability, enhances business visibility and reduces dependence on any single segment, thereby strengthening the overall resilience of the business model.

The company continues to demonstrate strong financial discipline and robust operational execution. Vimta Labs reported a healthy Q4FY26 performance with total income rising 16.6% YoY to INR 1,120 million, while EBITDA increased 21.5% YoY to INR 421 million, resulting in a strong EBITDA margin of 37.6%. PAT for the quarter stood at INR 211 million, registering a growth of 15.2% YoY with PAT margins sustaining at a healthy 18.9%. For FY26, total income grew 19.5% YoY to INR 4,163 million, while EBITDA and PAT increased by 18% and 16.1% respectively, reflecting sustained earnings momentum and strong operating leverage benefits. The company's ability to consistently deliver margin expansion despite sectoral volatility highlights its efficient cost structure and scalable business operations.

A key strength of Vimta Labs lies in its exceptional cash flow generation and balance sheet quality. The company remains **net debt-free with cash and cash equivalents of nearly INR 65 crore as of March 31, 2026**, providing significant financial flexibility for future growth initiatives. More importantly, Vimta has consistently demonstrated superior cash conversion metrics, which remain among the best in the industry. OCF to PAT conversion has remained in the phenomenal range of 125%–190% over the last three years, highlighting the quality and sustainability of earnings. Additionally, **OCF to EBITDA conversion improved sharply from 65% in FY24 to 105% in FY26, while OCF to operating profit conversion strengthened from 81% to 121% during the same period**. Such robust cash generation capabilities reflect strong working capital management, disciplined capital allocation and healthy underlying business economics.

The management commentary during the May 2026 concall further reinforced confidence regarding the company's long-term growth prospects. **Management highlighted that nearly 90% of revenues are driven by pharmaceutical research/testing and food testing services, both of which continue to benefit from structural outsourcing trends globally**. The company witnessed strong traction in pre-clinical pharma services and seasonal strength in food testing during Q4FY26, leading to the highest-ever quarterly revenues. Furthermore, management indicated that challenges in the electronics and electrical testing business related to leadership and execution have now been resolved, with expectations of improved momentum going forward. At the same time, the company has consciously reduced focus on lower-growth environmental assessment services and shifted toward more profitable and scalable opportunities.

A major strategic growth driver for Vimta Labs is its entry into biologics and peptides contract research and development, which represents a significant expansion into a rapidly growing segment within pharmaceutical outsourcing. Management confirmed that the platform, infrastructure, systems and manpower are fully operational and ready for commercialization. The company is adopting a cautious and credibility-focused approach during FY27, prioritizing execution quality and long-term client relationships over aggressive short-term scaling. Importantly, management indicated encouraging inquiry traction from Europe, India and the United States, with active discussions progressing toward client onboarding. Over the medium term, this vertical has the potential to significantly enhance the company's revenue profile and strengthen its positioning within high-value pharmaceutical R&D outsourcing services.

Industry tailwinds continue to remain highly favourable for Vimta Labs. Increasing regulatory requirements across pharmaceuticals, food, medical devices, electronics and nutraceuticals are driving higher outsourcing demand for independent testing and research services globally. The company is also likely to benefit from India's growing manufacturing ecosystem, rising focus on quality compliance and the ongoing shift in pharmaceutical innovation from small molecules toward biologics and large molecules. Management remains optimistic regarding long-term growth potential and indicated that achieving a 20–25% CAGR remains an aspirational but achievable target. Additionally, the company's newly expanded facilities are expected to support growth requirements for the next four to five years, thereby providing scalability without significant near-term capex burdens.

At current levels, the stock is trading at approximately 26x trailing twelve-month earnings, which appears reasonable considering the company's strong earnings visibility, industry-leading margins, superior cash flow conversion, debt-free balance sheet and long-term structural growth opportunities. While near-term risks such as geopolitical uncertainties, supply chain disruptions, rising input costs and temporary margin fluctuations remain monitorable, the overall business outlook continues to remain highly constructive. Supported by strong operational momentum, improving technical indicators, healthy return ratios and multiple long-term growth triggers, Vimta Labs is well-positioned to deliver meaningful upside potential over the near to medium term. Accordingly, the stock merits a BUY recommendation for investors with a 6-month investment horizon.

#### **Q4FY26 & FY26 Financial Highlights:**

Particulars (₹ Mn)	Q4 FY26	Q3 FY26	QoQ(%)	Q4 FY25	YoY (%)	FY26	FY25	YoY (%)
<b>Revenue from Operations</b>	1,092	986		944		4,073	3,440	
Other Income	28	18		16		90	42	
<b>Total Income</b>	<b>1,120</b>	<b>1,005</b>	<b>11.5%</b>	<b>961</b>	<b>16.6%</b>	<b>4,163</b>	<b>3,482</b>	<b>19.5%</b>
Material and Testing Costs	224	193		182		807	710	
Cost of lab setup	0	1		0		1	4	
Changes in inventories of work-in-progress	-	-		-		-	-	
Employee benefits expense	296	284		273		1,144	970	
Other expenses	178	166		160		706	536	
<b>Total Expenses</b>	<b>699</b>	<b>644</b>		<b>614</b>		<b>2,658</b>	<b>2,220</b>	
Exceptional Item		16				16		
<b>EBIDTA</b>	<b>421</b>	<b>344</b>	<b>22.3%</b>	<b>347</b>	<b>21.5%</b>	<b>1,489</b>	<b>1,262</b>	<b>18.0%</b>
EBIDTA (%)	37.6%	34.3%		36.1%		35.8%	36.2%	
Finance costs	3	2		4		12	19	
Depreciation expense	128	109		92		438	353	
<b>PBT</b>	<b>290</b>	<b>234</b>	<b>24.3%</b>	<b>250</b>	<b>16.1%</b>	<b>1,040</b>	<b>890</b>	<b>16.8%</b>
PBT (%)	25.9%	23.3%		26.0%		25.0%	25.6%	
Tax	79	58		67		264	222	
<b>PAT</b>	<b>211</b>	<b>176</b>	<b>20.1%</b>	<b>183</b>	<b>15.2%</b>	<b>775</b>	<b>668</b>	<b>16.1%</b>
PAT (%)	18.9%	17.5%		19.1%		18.6%	19.2%	
Basic EPS (INR)	4.7	4.0	<b>19.6%</b>	4.1	<b>15.3%</b>	17.4	15.0	<b>15.9%</b>

## **Recommendation Timeline & Performance Summary:**

- 1. 6 May 2026 – Initial BUY Recommendation:** The BUY call was initiated at a price of 511 with a target price of 577, implying an upside potential of ~13% over a 6-month investment horizon.
- 2. 7 May 2026 – Target Achieved:** The stock achieved our target price of 577 on 7 May 2026 within a single trading session. The stock price further appreciated to 579 on the same day, delivering a return of 13.3% from the recommendation price within just one day, significantly ahead of our expected timeline.
- 3. 24 May 2026 – Re-Initiation of BUY Call:** We have re-initiated the BUY call at the CMP of 452 with a target price of 520, indicating an envisaged upside potential of 15% over the next 6 months.

Happy investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team