



“Gufic Biosciences Limited Investor Meet Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Gufic Biosciences Limited Investor Meet. At this moment, all participants are in the listen-only mode. Later, we will conduct a question-and-answer session. At that time you may click on the Q&A tab on the left hand side of your panel to ask a live question. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Choksi – CEO from Gufic Biosciences Limited. Thank you, and over to you, sir.

Pranav Choksi: Thanks, Steve. So, good afternoon. Hello, I would say investors and who have been interested in Gufic all this long. I am Pranav Choksi. I am the CEO of Gufic Biosciences Limited. I am basically a B.Pharm. I did my undergrad from Mumbai University and then I did my M.Sc. in Biotechnology from Johns Hopkins, United States. And I have been with Gufic as professionally involved since the last 13 to 14-years. And today, thank you all for sparing your valuable time and coming over and trying to get more about our company and what we do.

So without wasting further time, I would like to go straight to the presentation which we have already circulated a couple of days earlier to you all and I would like to focus on what we do and what is going to be our future prospects and what are the key strength areas of our company which we are going to focus on.

So, we have made a very general guideline and Gufic is moving in the right direction. I would again focus on delivering care. Let's go on to the next slide please.

Before I start, I just like to give you a little bit of insight into the Quarter 4 which we have just we have gone for. But this will have more relevance once I will tell you about the entire company so allow me to come back to the first few slides, once I finish the entire presentation about the company as such.

So just to give you a brief that we have been of course voted as one of the fastest growing research-based domestic companies in India, especially because of our presence in the Critical Care space. We have a few highlights that 2015 is the time where we have started our journey from the CMO to Indian, I would say, marketing angle and then proceeding to of course countries beyond India. This slide just shows the relevance that apart from being a strong domestic player which made us in the last four to five years, our major focus has been lyophilization and our core competency is lyophilized products. Nowadays, some people might feel that it is more of a commodity but just to give you a perspective we have been doing these lyophilized injectables for more than 40-years. And that is where the strength of economies of scale, the product pipeline and also I would say the geographical advantage. That is what is available with us.

So, as I say, the most important thing would be just to show our ranking which is a part of the IMS IQVIA ranking, where we have gone from 165 in 2015 to 86 in the current year. That is what we like to highlight here.

Again, to focus on what we do right now, we have actually four main (SBUs) Strategic Business Units; the first one being domestic business which I just spoke about and that is shown because of our strength in critical care, but we are very frankly much more than critical care, I will explain that as we come in the forthcoming slides. We have very clearly eight well-defined divisions, all the way from critical Care to our newest division known as AESTHADERM, maybe which is related to Facial Aesthetics and also overall Skin Care. Overall, we have a fieldforce of more than 1,100 people actually, we have mentioned 1,000, but just since yesterday I was just told 1,100 field force and we have product portfolio in various therapy areas, which again I will explain as we go into future slides.

I would say, historically, the thing when I entered Gufic, we have been a strong contract manufacturing player and that has been our strength which has helped us to take the products not only for India but also for countries beyond India. Again, I will talk about contract manufacturing base in the future slides.

API business of Gufic is something which we always were historically and legacy wise. But in the last two to three years, we are seeing, geopolitical issue and seeing the dependency which we have for certain imports, a strategic decision has been made by us to focus on certain APIs where we are backward integrated. So, all the way from entering a European market to the API being made we want the entire channel or the chain to be inherently independent. And that is where the API business plays a big role.

International business is something which we have entered since the last four years to five years. When I mean international business, we are always there in the legacy part of Southeast Asian markets and South America to some extent, but our efforts started of course six, seven years ago and the revenue started coming in the last four to five years. Apart from India, Germany is of course the next second big country for us in terms of revenue. But now with other further markets opening up, and I will elaborate in the future slides, we are here to increase our total footprint.

So just to tell you in a nutshell, about the capabilities of manufacturing what we have, being a strong contract manufacturing player, our base was always our strength. And that is where we have seen starting with the small base of 50,000 vials way back in 2007-08 to right now almost 40 lakh vials or 4 million base per month of lyophilized vials is something which we are very proud on. And this would not have been possible just overnight, it was because of the combination of strong R&D pipeline, entry into new geographical areas and also increasing the entire product basket. So, once we get into anti-infective, for example, we want to be present for the entire spectrum of all the antibiotics or all the anti-fungals or all the antivirals which are normally available in the entire spectrum of treatment, be it gram-positive or gram-negative. So, of course, the strength right now if you ask me, would be lyophilized vial manufacturing base of 4 million vials on a monthly basis or more than 40 million vials on an annual basis. But backed up by new drug delivery systems like when we go for life saving, we have now entered into facilities of EFS and dual chamber syringes, dual chamber bags and also we are working on

depot injections, liposomal injections and nano technology, anti-tumor drugs. So, it's more of application of lyophilization and the strength which have of manufacturing into new drug delivery system, that's how I will put it. Of course, because of the spectrum and base which we have of nutraceuticals, we have our own tablet capsule, nutraceuticals plants and we also have our own hygiene plants. But again, my presentation would be mostly focus on strengths and the key growth areas what we offer.

Just to mention, we have certification ranging from basic WHO-GMP, Europe, Brazil, Canada, Australia, Colombia, South Africa. Right now, our focus for the US and the Japanese markets. But we are hoping to get into at least the US markets down the line, but again, it's too soon for me to elaborate on that. So, let us focus on the strengths as such of the company right now.

Of course, like I said, it's ever evolving process for us. So, we also have displayed here our future prospect and that is where keeping in mind the certain geographical countries which we are entering, the product pipeline which we have, they may be seen, that's why we are going to enter of course on the basis of board approval, we are going to set up two more dedicated large capacity factories again dedicated to anti-infectives and they will be regulatory on par with our existing factories and also us enter maybe the US market down the line in the next three to four years. We also have mentioned here what is the future prospect in terms of the infrastructure which we plan to invest into.

Again, sorry, this is a repetition, but just to make sure that the regulatory capability and I would say the entire gamut of Gufic, we have been audited by Europe two times. In this time of COVID also, we have been scaling our products and we got fast track approvals in specific countries also. But again to clarify, we have our presence now planned for all countries in the world, especially at least 62-countries in the world except US and Japan for the time-being for critical care products.

Just to give you a perspective, we really have a game plan behind every entry. In Germany, when we enter with our partners for launching clarithromycin injection, we have ensured in the last three years, we have become almost close to 68% to 70% market share player in the German market as per the IMS data. Even for Vancomycin, we have reached close to 45% to 46% market share holder along with our partners for Vancomycin for the German market. So, that is the plan when we have that. Because of the economies of scale, because of the basket, at least the product which we enter into, we at least come into the top few players of that molecule in a particular country. Very soon, we will be sharing a news about Brazil and Canada. Of course, we have already announced in the last one year about some product approvals in these specific countries apart from Russia, and specific I would say product approvals when we shared with everyone in the due time.

Again, another thing which is very close to my heart is Botulinum Toxin is something which we want to share with all of you. In India, as what I have read, we are the first Indian company to

actually make Botulinum Toxin from scratch, of course, with collaboration, with our Balram Singh, who is a Director at Gufic Biosciences and is something very proud of because to handle toxin despite the complex matter. And especially when you talk about the toxin, by one teaspoon can kill world, it's something which I am very proud of my team that we have been able to standardize that but at the same time, we have also come with an approach of not only the conventional dosage form, but also come up with the form of topical and also down the line we are also looking on different forms of Botulinum Toxin which give an option or which give an advantage to our doctors not only in India but abroad which for treating certain neurological condition or taking certain sports condition or certain facial aesthetic conditions which can be a little bit more challenging with conventional therapy. So, Botulinum Toxin as a whole is our focus going forward because of the American collaboration and we feel that the drug pipeline which we have really have a strong way forward.

Just to give you some numbers, Botulinum Toxin Type A which is only the injection which is approved around the world is totally a US\$6.5 billion market. In India, currently, it is not much. Botulinum Toxin market as such is something which we are very keen. In India I feel the penetration of this market is still in a very infant stage. Most of the companies who are present in India obviously either importing the product or are marketing the product for some I think big MNCs. Allergan continues to become the biggest player, I have a lot of respect for them with their BOTOX, which they have done a wonderful job. We feel that the Indian company with basic manufacturing and a good pipeline which is very therapeutically placed well, we can become a strong player down the line. This will be one of my aces up our sleeves in the times to come. So that's why I spent a little bit more time on the Botulinum Toxin. Now, I will move on to the next slide.

This is just a slide which shows you our geography presence around the world. Right now, like I said, we have also details about product wise, country representation. If anyone has any questions, I can maybe take it up down the line.

Currently, like I said, we believe that the Indian market itself has a lot of potential. And that is shown in our growth in the last I would say six years from 2015. When we came into the Indian market in a full-fledged marketing approach, we were ranked 165. Now, we have come to a rank of 86. Of course, majority of that growth has been contributed by our critical care and critical life products. It's not just that we are seen in the critical care medicine. There have been brands which have been specifically launched which have been catering to certain unmet medical needs where we have launched certain fungal or certain antibiotics or now immunomodulator. For the first time in India with own patent which has made a difference in terms of addressing our unmet need either in terms of a pandemic or may in terms of just tough fungal infection to treat. So, our critical care is our main growth driver and that is because backed up with the excellent manufacturing facility and a pipeline, but we feel that down the line with the new drug delivery systems coming in again in critical care, we are here to launch many more products in the

pipeline, again, in anti-infective, in cardiac, in neurology, even in I would say nutrition. So, overall, anything which were restricted in the ICU set up, we are trying to go beyond the ICU set up which helps us to take care of this particular therapy.

Infertility is something which also is a legacy business in terms of the CMO as I am saying, when we started off in 2008, we were into strong contract manufacturing of these infertility products. But there were certain products which we wanted to launch for the first time in India and that is where we thought our entry in the frontend into this marketing will be different. So, now after we are pan India and being one of the largest manufacturers of certain infertility hormones it gives us an edge when we launch some new drug delivery systems, certain transdermal products or certain oral new hormones coming in, synthetic hormones coming in which help to again meet some unmet medical need.

Gufic Spark is just the name given to a division where we are mostly focusing on pediatrics and general physicians. We have our brands like Ridol and StretchNil, Pregnancy Stretch Marks cream and also we have a lot of new launches specifically in this field of kid's immunity. Talking about the COVID wave which experts are expecting now that the third COVID wave which will be much more oriented to kids, that is where we have certain pipelines and certain products which we are focusing on.

Our fourth division of course is a Neutraceutical division. This is more of a legacy division which were actually even before we sold our brands, that we sold our brands in '98 to Ranbaxy deal this, SALLAKI brands of ours, part of this space. And that is where our SALLAKI brand which is helping in osteoarthritis and rheumatoid arthritis has been the main player. Apart from India also, we sell this brand to Germany and Switzerland also, but it's mostly with the clinical data and the actual regions which go beyond it which makes it a truly prescribed brand as such. So SALLAKI is a part of the Gufic Health Care.

Then we have this launch in two divisions specifically in the last year. Even though it was a pandemic year, we had plans in 2019, '20 to launch the STELLAR and AESTHADERM in India. STELLAR is a division which has been launched specifically for gynecs and orthopaedicians where we again have certain neutraceuticals and certain new drug delivery system products which are coming in, which are specially catered to the orthopaedicians. Again, all the way from arthritis to tendonitis to all the way to basic pain management, we have that basket going on. In terms of gynec, being strong I would say infertility, we thought it makes much sense for us to enter into the gynec space where we offer solutions for pregnancy, which is all the way, we do not help people just producing kids but in the process of producing kits, we help them to ensure that the entire pregnancy beyond fertility is much more optimum and much more taken care of. That's why this STELLAR division was envisioned. And we have launched for the first time a triple combination of a new type of folic acid which makes our basket a little bit more exciting.

AESTHADERM, of course, is like I already spoke to you, AESTHADERM is the division, which is catering to facial aesthetics and also to skin care. Our brand name of our Botulinum Toxin is STUNNOX. And that is where we have launched STUNNOX as part of the AESTHADERM. And that is going to be, I would say, our flagship product as such, and on a personal way, I have a lot of ambition and I have a lot of expectations from STUNNOX, and that is putting AESTHADERM as a division along with our products with tie-up from the French company, Lucas Meyer, we have come up with Serums and Face Washes and Creams and all that, that will play a big role in the times to come

Of course, COVID has not been very kind in terms of the division of Infertility and AESTHADERM. Stridden division which should take us through. So, even though the COVID scenario has been a little bit unfair to infertility and AESTHADERM, I feel these two divisions are the way forward in the Indian domestic growth. And like I said, I have a lot of expectations, because we are completely backward integrated, we have excellent product pipeline and our product basket coming on and we have solid plans for that.

So, this is the eight divisions like I said. While I mentioned eight, you can see six main divisions, but we have two offshores coming in, because we have so many products in critical care and infertility that we have actually made it more I would say precise by making two subdivisions in those things to make it more precise to customers. So, all our products can get equal focus and equal standing in front of the medical doctors.

This is a summary of all the space which we're entering. So Anti-Infective, Anti-Fungal, I won't be reading through all of them, but keeping in mind what I've already shared in the last slide, we have a wide range, at the same time focused approach on certain therapeutic indications which we are focusing on.

Just one mention for the slide here, down the line, being into biotechnology over these years now, and as being in academics, but now in terms of commercial thing, there are certain immunology products which we try to work on, which is very interesting and exciting. So the immune-oncology space, and the biological space will be the way forward for Gufic, which will again complement our critical care. And I would say onco sales going forward, because conventional chemotherapy is great, and it has a lot of advantages, but we have also a lot of new immune-oncology therapies being developed, which I feel somewhere should be the future. And that will help a person recover in a much more better way, physically, mentally, without having much side effects. Of course, this is what I'm discussing in almost four, five, six year visibility for us because it includes the complete phase-I, phase-II, phase-III. This is just a glimpse of what we want to get into as a company down the line, keeping in mind our core competency.

Again, all this what we have done, we always believe that Gufic has strength, but of course, it is incomplete without having certainly strong partnerships or in-licensing arrangements. And that is why we want to mention about our partners all these years who have been strongly responsible

for our growth, all the way from Prime Bio, who has helped us for the Botulinum Toxin project and also the new drug delivery systems, which will come for Botulinum Toxin. Then with CinnaGen, who's helping us with biologicals and certain high end, I would say, recombinant products. Lucas Meyer of course is our partner for our Cosmetics and AESTHADERM division. So right now into skincare and into facial aesthetics and now we are getting into hair care down the line. So a lot of ingredients have been sourced with collaboration with the French company, and we have a strong pipeline to get us through there also. And Brightgene one of the best companies I have worked with in the last I think 10 years who have helped us year-to-year deliver outstanding new products, maybe made us for the first time in India, maybe just the first generic in India with a strong in-house and patent backing. So, these are just some mentions which I wanted to talk about. In-licensing and partnership always makes sense for a company of our size because we can always complement our core competency to certain applications and make it more commercially viable.

This is just a summary. Like I said we are now almost a 1,100 field force, we have a strong warehousing capability, we have a solid structure all around India which makes us more or less a national player in India ... of course we are a national niche player if someone tells us, but we hope that we can become a national multi-specialty player, which is our target in the next two, three years.

Apart from just being in terms of the infrastructure, we are backed up by of course solid IT systems, something which is very basic for big companies, I think it's a big step for us also getting SAP implemented in this year, we hope that before the end of the year, we are fully set up with SAP. And that will be just one of the things to take us to the next orbit. And we are also looking at a lot of automated processes in terms of field force, MIS Reviews, and I would say just access, again, geo sensing, geo tagging is just some few things which we do to ensure that we get the best. We don't have so many resources as the big companies have. So whatever minimum resources or limited resources I would like to put up we have, we try to ensure that we are monitoring them more regularly and we are trying to extract the maximum out of a single rupee. That is where this Salesforce, Automation and MIS Reviews and the software testing how we use, helps us to do that very efficiently.

Like I said, our history and our legacy and our roots are in contract manufacturing, we will never go away from that. Today, we are what we are because of our excellent partners and our excellent clients. And they have helped us to reach this scale. And we hope to serve them more and more in the future. And with our robust pipeline with new, new solutions. We feel that as a company, we are working on many things in R&D. We cannot commercialize each and everything what we make in R&D, what we envision. That is why we need these strong front end players and strong pharma companies to help us get those R&D audit that I would say a dream or vision into a reality. So that is where these companies play a big role in helping us make certain products launched where we might not be very strong in the market space and they may be justified much

more than us than what we can. So that is why we feel CMO is going to be strong. In certain areas, we'll also try to be the front player to launch certain thing but we always keep a big brother helps us to make more noise and take it forward. So again, thanks to these wonderful people who have supported us all these years.

This is just in a nutshell. It talks about our R&D capability. Any pharma company without a strong R&D has no relevance according to me and especially a company of our size, we have to be very specific in terms of the resources which we have and focus on things which we should have limited chances of failure. So, I mean, in the short span of course, we have got several patents, we already have filed, as mentioned four here, but we are almost in the process of filing, we have already filed six patents which should get approval in the next two years because the data we have submitted. And like I said the product pipeline which we have are very skewed for all the trends which we have so anti-infective to oncology to antifungal. So, anti-infective, critical care, infertility again same gynec. So we are very focused. What we do is we want to get into specific products, new drug delivery systems and little bit noticeable different products which make us address the unmet issue. Apart from of course lyophilization, liposomal products, depot injections, nanoparticles and dual-chamber bags and dual-chamber syringes are something which has a new drug delivery system, which we feel we have a lot to offer and also to offer in a way which is commercially viable also, because it should not happen. I have a normal Meropenem injection, and I come up with a new drug delivery system which makes my product unaffordable so that's not the case. That is where we feel the new drug delivery system commercially efficient manner should take us through. We have our own in-house medical and clinical trial. We apply to DCGI. We are hoping Immunocin Alpha very soon should get approved with the data which we have. So let's see. So it's a continuous process. And we feel that we can offer new and new molecules, thanks to this entire infrastructure which we have.

Like I said, API is a capability going forward. And that is where we have invested in the last two years to increase the capacity and come up with the robust pipeline. Again, I feel our entry into API is not just as a distraction, our entry into API is sort of a backward integration. And we want to focus on certain I would say products where we want to be very independent of any geopolitical issue or any I would say other price band because we believe in entering into a tender or into relations which are a long term with the European partners and partners around the world. So, we cannot even absorb volatility in this segment and that is where being backward integrated will always be the way forward. So that is where like I say more of the API revenue going out will be more of a backward integration which will help us to be independent.

Again, this is just a summary:

I believe, my last slide, just to summarize what I have been discussing in the last few slides and I am going to hand it over to Roonghta for more of the finance point of view. But for me, it has always been about focusing on certain things where you can go really deep and get into certain segments and certain therapeutic indications where you can make a difference with either a scale

or a pricing or I would say in terms of our product basket or a drug delivery system. And that is where our India business or international business or CMO business will all be dependent on. And with the API, I think, delivering in terms of backward integration, we know that we are going to sustain for a long time. So, scale in both ways. And also sustainability is the way forward for us and that's why we feel we are going to be here for a long time.

So that's it from my side. I will hand over to Roonghta to of course show you the financial highlights of this year and take it forward. Thank you.

Devkinandan Roonghta: Good afternoon. Myself Devkinandan Roonghta. I am basically a qualified chartered accountant. I was associated with Gufic from last three years. Before joining the Gufic, I was working with CK Birla Group for more than 30 years, having a lot of experience in the field of Finance.

Now, first thing I would like to inform you that Gufic Lifesciences has been merged into Gufic Biosciences from the appointed date of 1st January 2019. All the financial results are the merged figures of Gufic Lifesciences and Gufic Biosciences for the financial year '21 as well as the corresponding figures of last year.

The total sales for this Q4 of 2021 was Rs.131 crores. Last year Q4 sales was Rs.87 crores, there is a growth of about 50%. Year-to-year last year current year April to March '21 total sales was Rs.487 crores, last year it was Rs.379 crores, there is a 28% growth over the last year. EBITDA margin has been increased from previous year, there was 15% EBITDA margin, current year the EBITDA margin is increased to 18%.

Profit before tax has increased from Rs.30 crores to Rs.57 crores over a year. Profit margin has increased from 8% to 12%, debt-to-equity ratio has been reduced from 0.9 to 0.3, and operating cash flow has been improved from 47% to 89%. All these financial results show that there is a good growth over year-to-year from this year.

Now, I am presenting the highlights of the last few years:

If you see the revenue from last four years, giving average annual growth of around 18%, which we believe that it will continue in the near future also. EBITDA margin has been continuously improving over the last four years. Net profit is also continuously increasing. ROE has also been increasing and ROC is more than 35%. Thanks.

Moderator: We will now begin the question-and-answer session. The first is a text question from the line of Gurudutta Kamath from Kamath Investments. The question is, can you please disclose some numbers around for Botulinum business, your sales number for Feb and March 2021? How big is India's Botulinum market? And what market share we want by 2024, '25?

Pranav Choksi:

Just to give you a perspective, Botulinum Toxin market, like I said, internationally is \$6.5 billion, but you will be surprised that the Indian market is not more than 120 crores. So, when this question comes to me a lot that when you have a market only of 120 crores, what makes you so confident about it? So before I answer that, we have launched the division in the month of January. So the February was the first month which we have got the sales done, we launched 100 IU/ml injection STUNNOX. And we feel that February, March are the only two months which we sold the product, and the sales which we have done, because I believe it's more of a primary, I will not lead to much more into the number, the actual secondary numbers should come up now in June or July, often I do disclose in my first quarter results, but I would say that the first two months in terms of the primary, we have done approximately Rs.2 crores in the two months. But again, like I said, it's more of a primary figure. And I foresee that this number should have more relevance when we have the secondary thing. Also, because of the lockdown part way In April, the actual I would say effect should be seen by August and September 2021. But to answer your question, I feel this Rs.120 crores market is just waiting for, I mean, there's a big opportunity for us to go beyond this Rs.120 crores market vis-à-vis the same, I always compare the AESTHADERM market with the infertility market. Infertility market in 1990 was in the hands of a few doctors, if someone wanted to go for, sort of, I would say IVF, then there were very few players who were controlling that and the price was very high in terms of the acquisition or maybe in terms of the treatment. That is where we will take at least two to three years, in the next two to three years, we have to create this awareness and try to get more users. The thing which actually push me to get into the market, a lot of people say, "I want to get Botulinum Toxin treatment done, but I don't know where to go? Or is it safe? Are the doctors equipped enough? Do they have the right infrastructure?" And that is where we feel India is on that graph where you can have that big penetration going on and where I feel Gufic will play a big role. The question would come there, "Allergan who has been a \$6.5 billion global player, why couldn't it do it in India?" I have no answer for that. But I have an answer that the US\$6.5 billion is something which attracts to me. And when I put this 1.3 billion people of India, I feel there is a huge thing to be encashed on. The reason I am very bullish is because we are making it from scratch because I know the profitability. So I know how much money is available for me to actually invest in the development of this market. Me and my team and all of us will be really breaking our backs to create this market, and I am sure it is going to be big. With the new injections coming down the line and also a topical option coming down the line, we feel that a lot of people who are scared of injections will have an alternate route which is not available globally also. A topical Botulinum Toxin is still not available commercially globally. And that is where the first fear of injection should go, and we should have more and more people getting in. 1.3 billion is amazing buying capacity in terms of the people there and I foresee the market to not only arithmetically grow, but I would say to grow exponentially in the next three to four years. Again, please don't ask me for numbers, how the market will grow. But we have certain internal numbers where we see that total toxin should become a significant part of the Gufic's revenue from operations going forward. Apart from India, we are trying to get this product also to the rest of our neighboring countries, Southeast Asia, then of course to South America and

eventually to certain regulated markets. So that is what we see. We should get sort of a pie also of that market normally.

Moderator: We have the next audio-video question from the line of Nitin Gosar from Invesco. Please go ahead.

Nitin Gosar: Sir, if you can help us in terms of breaking the business in terms of different segments, about the way of doing business, but could you share more insights in terms of revenue, what each business represents? I'm not sure if we have given this in past, but I couldn't figure it out in the annual report. Second question is, as we stand today, could you help us with the insights in terms of right to win for the Fertility Care business, what are the things you got it right which you have been in a position yourself in the Fertility Care and what all learnings you can extrapolate to this Botulinum market, because even this kind of market is a specialty care and it will require a different approach? What kind of doctor access we have in this market? Is it a different set of field force who will be able to crack into this doctor pool?

Pranav Choksi: Thank you, Nitin ji. I think answering your first question, which is about the revenue breakup, so, of course, like I said, since 2015, we have evolved from a CMO to a domestic player and then exports and others have started kicking in the last four to five years. To give you a sort of a percentage, I think our domestic operations are around 55%, our exports are around 15%, our CMO business is around 25% and our API business as of now in terms of revenue with whatever we have is around 5%. So we foresee that the exports should eventually scale a little bit faster because of the different registrations coming in, but domestically, still will be the way forward where we will take it forward. And like I said, the CMO with new products in the pipeline will always be specific place for CMO, which new molecules will be the way forward. I hope I've answered your question, one, to your satisfaction. Coming to your second question in terms of fertility, so what we said, when we entered the fertility market, we found that we were very late because there're already stalwarts and were doing a wonderful job. So we feel what do we base as a company, so we said either the strong hormonal player or there is a strong I would say progesterone player or a strong maybe some nutraceutical player. So, all of them have taken some space in the market and we feel that first, when we go to a fertility specialist, we have to offer this entire basket, at the same time, like I mentioned for Botulinum Toxin also in fertility, at one time only we're accessible to some people some people have to go through one cycle, two cycles, three cycles, India has many people for anything, but I'm saying there will be very few people who will eventually get rained out after the second cycle in terms of expense. So, we have been trying to get in touch with these big centers and big infertility people who come up with therapies which are more commercially viable and also make them more accessible. Certain molecules which are adoptable, try to be in the second or third cycle, we try to get them done, make it more affordable in the first cycle. So the chances of pregnancy go up much more. And having the entire basket for me, going to a center, going to a doctor, they always feel that it's better to back up something to trigger over and back it up to maintain the trigger also, we can

use products on the same Gufic basket which makes it more viable and convenient for them. So, I would say in a nutshell, a product basket, cost efficient way to increase the chances of fertility and also to come up with a solution. Now, of course, there was a challenge which I faced when we enter in 2016 in fertility, we realized that the recombinant product which is very common, is something which is not as a part of a basket and that is doing a wonderful job and I feel that's a future. So, right now most of the hormones which are coming, are coming from female urines from a particular province in China. And that is where we felt difficulty and we have to start working on sort of a basket where we are focusing on the recombinant approach which makes us more independent, again from China or from other factors when we can produce the quality and the yield and everything much more efficiently. And that is the way forward for Gufic. So, this is a challenge in which I failed to read it and now we are rectifying that going forward and saying, look, if we want to sustain in this, we need to be part of this recombinant wave going forward for pricing and for sustainability and for supply chains. So that is what we have learned and we have evolved down the line. Coming to your third question about Botulinum toxin, so like I said, we have gone for very specialized approach, our approach to critical care or infertility or a mass marketing cannot apply to AESTHADERM market. AESTHADERM market requires these special highly trained people. We have right now only 33 people all India, but they're very highly trained, we trained them for almost one and a half months, session of 20 days and again, a refresher session once again, because when you go and talk to a doctor about a toxin, which can actually potentially kill them, you have to talk to them about science, you have to talk to them about the dose, we had to do a trial on 100 people to convince them that, this is the marketed available data and this is our product, where we are showing you, it's safe, it's effective, it's giving you the same results, at the same time, we are ready to offer you a basket in terms of more product basket, we also able to give you more options, we will be able to give you maybe a topical option down the line and we are here to stay for a long time. So that is where again, I'm saying, it's been only three to four months now. It's long way to go. But again our basket approach, a strong independent Indian manufacturing approach, and also quality approach, that should be the way forward with a very specialized team headed by a specialized person who has in the past sold a similar toxin. And he knows who is the catchment area and which doctors to focus on and who are going to be the leaders and who are going to be the followers whom we have to create and we have to make gynaecologists going to be infertility specialists, because they get their flexible timing, and they know that it's much more better for them in the next career. Our main focus is to make dermatologist into cosmetologist and facial aesthetics experts, which will make that exponential growth in the market. So that's from my side. I hope I answered your three questions.

Nitin Gosar:

Very well. If I can add two more questions, one is wanted to understand, if we were to draw a profit cycle where it started from the bottom, then it matures and then there is a dipping cycle of profitability. And the four divisions that we have, could you touch upon which division falls into which part of the cycle like the domestic, CMO, international, API?

Pranav Choksi:

So again, I just tell you gross margins, that will help us to understand. We were earlier sort of API cum CMO partner, moved into domestic space and now we will complement that with exports. So that is how we have seen the evolution of margins going on which can be seen by the person. Again, Roonghta sir will be in a better position to explain the margin increase. But to give you a perspective, our CMO business is a 30% gross margin business. API is almost like a 35%, 40% market because of the product line which we are in. Of course, with the new APIs coming in, which are a little bit more sophisticated small volume, high value, the margins might be more. Coming to the domestic space, domestic space is around 55% to 60% gross margin, then I would say our export would be around minimum 60% margin share, because there are no other I would say overheads involved, otherwise exports and domestic market would actually normally decline. I'm not discussing the dossier cost, other costs, R&D costs, gross margins I'm talking about. So as you have seen in the 35%, 40% margin gradually being pushed to a 55%, 60% and then you have a 60% component of exports coming in, that is what we feel should make the margins evolve down the line.

Nitin Gosar:

Last one would be trying to understand FY'21, that would be a year when most pharmaceutical companies would have seen some kind of savings on the promotional spend. Would you like to quantify what kind of savings you would have seen which would be one-time in nature and may recur going forward?

Pranav Choksi:

I think a very good question. Very frankly, we had a budget in place, at the end of the year we spent only maybe around 75% or 78% of that budget very frankly, but that was still over ceded by our incentive costs because two of our divisions did a wonderful job. And that's why there's a huge incentive outflow because of these divisions doing. At one time in the April to June quarter 2020, we really didn't know how the year will evolve because the lockdown in place. And then once we bounce back in the last three quarters, we essentially had a saving in traveling, no meetings, MIS Reviews, everything was virtual which has helped, but I foresee that is to a reason because of other divisions also did not go through, but because of the incentives and other things, we shot over in two of the other divisions which got compensated. So I still feel maybe 10% to 15% of our actual marketing cost was not caught up last year, which should now come back to normal hopefully this year. Let's see how the pandemic progresses.

Moderator:

We have the next audio-video question from the line of Arpit Agrawal from Electrum Capital. Please go ahead.

Arpit Agrawal:

I have a couple of questions. First, on the Botulinum side. As you said, this is one of the most exciting projects for you. We did some channel checks with a couple of dermatologists and one point which they said is that skin care being a very sensitive subject or people are very careful on what they would like to put on their skin. They also said that Allergan is a very, very evolved player and after sales service are also excellent. So, just want to understand how will you overcome this? And second on the same product is other than the skin care what are the opportunities in Neuro and other therapies?

Pranav Choksi:

So, Arpit ji, very good question. Just to tell you in the perspective, I feel and this is my personal opinion, please take it as it is, if Allergan is such a strong player in India, and the amount of penetration which if Allergan did then Botulinum Toxin would not have been about 20 crores market right now. So, if the same company, Allergan, can go to a country like Thailand and Vietnam and to Philippines and maybe countries even for that matter, some countries in Africa, I still feel that they have not even touched the tip of the ocean in India, the amount of potential which we as a country offer, I think somewhere something is amiss, because US\$6.5 billion internationally and Rs.120 crores in India, I don't feel Allergan, again, I have a lot of respect for them, in India they have given a beautiful product and the history of that, but I still feel there's a huge potential going forward. Coming to your next point, any observation which is absolutely right, which I really like is today why we have entered into the AESTHADERM division or the Facial Aesthetic division because the loyalty of these patients is very high. Unfortunately, Gufic is not strong in diabetes or cardiac or something where you have loyalty for lifetime. So, the next thing after antibiotics and arthritis products, I want someone who uses my product for at least a minimum half a year or a year something like that, which is possible in facial aesthetics or skin care. And I fully agree the initiation and the first entry is a challenge, but that is where STUNNOX will help us to overcome the challenge. STUNNOX will be the anchor product which will help us to create this market much more and then I can write in my other products of serum and face wash, cream or whatever, the new chemicals, sunscreen we are coming with all around it. So, I feel there is a challenge, but a huge opportunity also because the sheer population size which we have and again I'm saying STUNNOX and Botulinum Toxin potential I feel, I hope I can do it in the next few years, our team will provide it in the next few years. I think Rs.120 crores is nothing but India deserves for this molecule, that's much more. So, I look at it as an opportunity and I feel this brand loyalty angle will also be a big positive thing for us going forward rather than a challenge right now. So this is what I feel, this is a way forward for us, create the market rather than take the market share... taking the market share will not help us, we will be mostly creating a market which will be much more long-term for us. And again, I think after sales service is all fine. That is okay. Arpit ji, I answered this rightly?

Arpit Agrawal:

Yeah, that was quite comprehensive answer. And I think you're right. I was also surprised when I looked at the global numbers, and the number, and with the young population and people getting more careful about their looks, I think this is something which should be a huge market going forward. Sir, one more thing, what is our arrangement with Prime Bio -- is it like tech transfer Or is there some royalty element involved linked to sales?

Pranav Choksi:

Yeah, already upfront have paid for the technology of Type A and Type B, there is a profit share which we have for them, because we have considerable decent margin coming out of this product. And that is also only possible because we make it from scratch in India. The way the arrangement is such a way that I have got the actual Botulinum master cell line to India, which is an asset of Gufic going forward, and that is how we are creating these products from them. And for every sale, there is a profit share which goes back to them. Sorry, I forgot to answer

your question on about neurological and sports injuries. So as you rightly said, apart from facial aesthetics, I think by September we are launching the other brand name for our neurological division. And also there are a lot of other therapies in terms of sports, for certain pain management also, by which we are working on, as other applications for Botulinum Toxin. The other reason I got attracted to this molecule, apart from facial aesthetics, there are almost 130 other indication which is officially approved for Botulinum Toxin, and there is no other product which can replace Botulinum Toxin for the next at least one to two decades in those particular therapeutic conditions. It's just a question of awareness going forward.

Arpit Agrawal:

That's interesting. And like you have so many growth drivers in place, you have launched so many divisions and I think it's quite an exciting bouquet of divisions and products which you have. If you can just give us some color on how have you expanded the team bandwidth in terms of what kind of people are there onboard to drive each of these piece or are you planning to hire some more senior people around, because I think, obviously, great product has to be marketed well and taken to the market. So to achieve scale, now I just want any more color on the team of various businesses.

Pranav Choksi:

Absolutely, I would say, Arpit ji, talent and also experience is always welcome in this sector. To give you in terms of I would say quantitative first, and then I'll come to qualitative next. Quantitative, we have evolved from a field force of maybe around 250 people in 2015 to around 1,100 people in 2021. So you have seen the evolution in terms of the sales and marketing which is very near in terms of quantitative build up, we have a president who has also been with us since inception, who has driven this entire revolution of the domestic space, Dr. Das, who has done a wonderful job, he brought us from the rank of 165 to 86 in the six years. Under him, we have of course, VPs and we have GMs. Every division gets its own identity and its own hierarchy. And that focus approach have made it more better for us to unlock value in every division. In terms of infrastructure, being a CMO always backed up with a strong infrastructure back end in terms of my quality team, my production team and we were always handling quantity or a scale which is beyond our front end. So basically that contract manufacturing is something which I'm always thankful to and which is again I'm saying this is going to be one of the biggest strengths which we have to be successful in countries abroad. This contract manufacturing helped us to understand values, get the price benefit, get a scale done, a product basket done, and that scaling automatic continues with new heads of QAs joining in... it's not my heads are changing. My people who have been with me for the last 10 years are evolving with us. Of course, new and new experts are joining us from the field below them because people who evolve will always stay and take it forward. And from a HO point of view, of course, we have seen the entry of my CEO in 2018 who has helped us to translate the international business Mr. Nagesh, then we have Roonghta sir who has been kind enough to join us in 2019 as a CFO, apart from that we have a legal team, a strong HR backing us. So, I think it's ever evolving process, which is we always have a planning and budget in line by which we have certain positions lined up for the next year, we always plan for two years ahead keeping in mind what would be a requirement.

Now just take the example of IT right now, the IT division investment started almost two and a half, three years ago, envisioning that we will go to SAP in this year. So, the entire hardware, infrastructure in terms of the entire disaster management cells to get us connected all over India, get us connected on web or on whatever. So, firstly, we focus on the hardware, and then automatically we have the software taken care of, and then we move on step-by-step. So, I could have answered your question in many different ways, I did in the most precise way, I hope it has been answered correctly

Moderator: We have the next audio question from the line of Ishita Jain from Ashika Stock Broking. Please go ahead.

Ishita Jain: My question is an update on Amphotericin. Is the demand still strong? And what percentage of our revenue this year that is March '21 was the Amphotericin opportunity? And my second question is on the low API revenue share. Was this mostly because we focused on backward integration and less selling it outside? And my third and final question is on the Botulinum Toxin. You mentioned we did a 100 patient study? Do we expect any larger study follow up since this is an indigenous product? And for other types, Type E and O, will there be more clinical data required?

Pranav Choksi: Ishita, Liposomal, we already got the product which we made in the last few years, and we were selling also in the last few years. I think what you have seen in the press right now, it's just a validation that we have two factories, one is the Gufic Bio and the Gufic Life. The merger actually did not come in latter. So we just got an approval in the second unit, I would say last month. Otherwise, it's a product we already were making some time and we were marketing. But to specifically answer your question regarding black fungus and mucormycosis, it was a product which was used for Canada, other sort of I would say therapeutic indications, the black mucormycosis revenue has still not been captured last year, because the cases of the black fungus or mucormycosis has started coming in and cropping in around end April or early May. And that traction should be seen in maybe June and July. Again, the demand is strong right now. But like I said, there have been very challenges in terms of I would say the excipients, we have area, we have all that, we are trying our level best to take care of that, we also are coming up with another solution apart from liposomal and come up with an emulsion form which can be a little bit more faster to the market, because one of the excipients which is used to make these Liposomal Amphotericin B is actually used by one of the vaccine players globally also. So there have always been despite we are doing, I mean, the companies in India have actually used the Indian embassy to get access to that excipient. So, again, very frankly, how the COVID graph goes up and down, we can predict that the black mucormycosis I can't predict how it will go and what sort of numbers which we'll see from that. But currently, if you ask me, yes, right now, India is going through a tough time. And not only Gufic, I think a lot of great manufacturers like me, or maybe better than me, or are also trying our level best to take care of the Indian thing, which I think we should be fine, all of us together should be able to take care of this problem. In the next

two to three weeks, we'll see a lot of supply coming in. And we feel that it should be fine. Answering your next question about the low API revenue share of 5%, very frankly, strategically, we always have been a formulation player. And you rightly said, most of the API even though we make it, we use it in our own formulation. And that's how the revenue share of the API always has been a very small component for them. However, going forward, as I mentioned in my management of course in the last two years, or one and a half year, there are certain molecules which we also have started working on which may be not used by us in that quantity. But might be important for us to serve India or maybe some other clients in Europe, or other places because they right now dependent on China, they want some other player to derisk themselves. So maybe in the next two years, you might see a boom, you might see a little bit increase in the revenue of API. But since the formulation focus always will be there, I don't foresee the API business to get to around more than 10% of the total revenue going forward. Because formulations have that more scalability in terms of our approach in the API business. However, as the things evolve, I think we can maybe share more and more news to you as how the R&D pipeline works. Coming to your last question about Botulinum Toxin, yes, definitely, the 100 patient very frankly, if you ask me, why the 100 patient trial was done, because my people who actually sell the product should be convinced that when I'm doing as a Gufic product of STUNNOX, I know, these four, five big doctors who have used STUNNOX, they certify it that this is a safe, efficacious, and I would say at par product if not better than Botox. But going forward, what I feel that, we have been advocating, you wouldn't believe the amount of free sampling which we do, even though it's an expensive material, but since we can make it in-house, we have that advantage of pricing. But we already have a I would say a format, where we ask certain high end doctors of Bombay or Delhi or Baroda, I'm just naming cities, but we know the top I would say 15, 16 cities, where 33 people are present to actually use us. We say we are ready to give you this product free only in the condition that you endorse and you give us the proper format of trial report, wherein you have used on XYZ patients and you have found the product to be suitable for them. So going forward, the trial will be our way forward to ensure that we get more, I would say, confidence generated and believe generated in the end user. And along with that our own field force can make more noise about it. So yes, trials will be an ongoing process till next three to five years because that will help us to become really serious. And even we are using a lot of samples to actually train people. A lot of dermatologists are coming and we have now training centers which we are going to set up in at least two parts of India. Let's see how the pandemic goes. But we will come online, we have trainers specialized trained under top notch doctors who will train these dermatologists to become actually users of Botulinum Toxin. And that is how we see this expansion and this progression go. And the Type III and the topical coming in, it's going to be a DCI approved process. Of course, we'll be going through the entire process of starting with clinical phase-1, phase-2 and to phase-3, which is the robust clinical pathway for the products coming out. So yes, we will have a lot of clinical evidence and clinical data available to share with all of you. I hope I've answered your questions.

Ishita Jain: Yes. Got it. Just one follow up. Just to clarify, you mentioned that the DGCI mandated trials, they are going to start soon, or are you in process of doing them?

Pranav Choksi: So in terms of the Type E and the topical, we already have started one and we are in the process of submitting the next one. And that's all I can say.

Moderator: We have the next audio-video question from the line of Rohan from Manija. Please go ahead.

Rohan: My question pertains to any possible CAPEX that would be required to support these new forays into the new markets that we are making. And also, would you require to fund that possible CAPEX through more debt or would internal accruals be used, so if you could just give some color on that?

Pranav Choksi: Of course, I will try to answer the debt and the internal accruals in my most efficient manner, but Roonghta can back me up, because he knows the cash flows much more better than me, but still what we have discussed and what we have planned at least I'll share with you. As you rightly said, and what we showed also in our PowerPoint presentation, we feel any Remdesivir was just an eye opener for us because we saw a lot of capacities being utilized for that. But the way we have seen the critical care industry evolve not only in India, but in countries abroad and consumption, which we have in healthcare are becoming more accessible and more I would say, available for people around the world. One more, I would say, unit of lyophilized injectables is something which we want to get into where we have certain plans in mind, keeping in mind certain geographies which should be out in the next three to five years. So yes, we will be going for a CAPEX again for our generic pipeline along with the anti-infective pipeline which would really help us to increase the infrastructure available for our existing product basket and our product pipeline coming forward. So, we are looking at definitely a CAPEX of substantial quantity in the next two years. I feel currently the cash flow which has been coming in the last two years should be okay with us to take care of it, if required, there is a possibility of going for certain of the debt, which is in today's time, I think it's quite good in terms of the percentage what we see, also, government of India has actually come up with a new segment where we are seeing a little bit more aggressive pricing coming in in terms of the cost of funds. So we already are in touch with banks, but internally, we want to keep it maybe 30 to 40 crores cash reserve with us at any time. So anything which we want to go beyond that, we might take some term loan to take care of these CAPEX going forward. Otherwise, I think keeping the current cash flow in mind, we should be hopefully with debt to take care of that.

Moderator: We have the next text question from the line of Vishal Manchanda from NBI. The question is what is the cost of Botulinum Toxin per patient?

Pranav Choksi: I hope you are asking me the cost which is the patient has to pay, right, not the cost what I'm bringing in. So to answer that question of how much is to the patient, the MRP is around 15,000 for 100 IU. And the entire therapy along with the doctor, of course, the doctor charge differently,

but we sell a vial of 100 IU for around 15,000 to 16,000 which takes care of around three to four patients. So normally either use it on 20 IU out of the 100 IU is enough for a patient which needs to take care of maybe two, three procedures on his or her face.

Moderator: We have the next audio question from the line of Romil Jain from Electrim Portfolio Managers. Please go ahead.

Romil Jain: My question is on the group company that has been merged. So what kind of capacity do they have on the vial side or the lyophilized capacity and what can be the revenue at peak?

Pranav Choksi: I will just give you the capacity, Gufic Biosciences, the parent company had 1.6 million vial capacity per month, we always equate it, we standardize from 10 ML vial which is a normal average vial. And the new facility, which is Gufic Life Sciences, which has been merged into the parent company had a capacity of 2.4 million. So totally, we now have 4 million or 40 lakhs vial capacity per month. Can you please repeat the next question?

Romil Jain: I think guidance has been answered, I think you said there will be substantial CAPEX over the next two, three years to support the growth. The other question from my end is on the various molecules that you are kind of developing. So I just want to understand what would be the timelines and the opportunities size for the same in terms of revenue? So where I'm coming from is basically, I just need a vision from your side maybe in the next three to four years where can we hit in terms of growth, or any specific revenue sense that you can get from the various projects that you are undertaking?

Pranav Choksi: Again, I will answer you in a more macro level, but just to say, every product has a different market size, some, like I say, Botulinum Toxin, I cannot give you a number because I can't extrapolate on 6.5 billion, either can extrapolate on a 120 crores. But at the same time, yes, we normally take certain products, which have that scalability in terms of the ease of use, so they have to be a primary infection service holder, we don't go beyond support therapy which cannot be scalable. But to give you in a nutshell, all these product pipelines which we have in terms of anti-infective, fertility, aesthetics, and of course gynec also, we're looking at anything between a 15% to 20% I would say year-over-year growth as a combined now consolidated merged entity. So that is where we feel that the pipeline what we have is organic growth which will come from the existing pipeline, should be able to get us to a 15%, 20% though. Of course, '21-22 will be a little bit different here because of the COVID pandemic because there are certain products which might just see a sudden rise in terms of revenue, but I'm saying overall very naturally and in a very normal scenario without a pandemic, 15%, 20% is something which we should target.

Moderator: We take the next audio question from the line of Dhruv Shah from Ambica Fincap Consultant. Please go ahead.

Dhruv Shah: I just have one question on your Depot. Depot is actually a very tough injectable, right, and only innovators are there in the market, no generic has been able to succeed. So in that field, what are you planning? And is it just a CMO are you planning to develop yourself as well?

Pranav Choksi: Hi, Dhruv. So yes, the Depot Injections I'm referring to is of course those, I would say, peptide injectables, which are normally of two technologies either a microsphere or PLG, PLA. But again, I would say the Indian manufacturers are two or three, others also who have been able to backward integrate, a good stable, I would say scalable form of the same. Yes, it is complex, which makes our interest in the molecules much more. And we see that combining not just Depot, which has been there for some time, but when you combine this Depot with a new drug delivery system, that is the thing which we are harping on and aiming for. So Depot is something which we are selling for the last four, five years. But for me, the exciting thing would be the new drug delivery system which we will try to come up within the next couple of years which would make it a little bit different what you want to get into.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to Ms. Ami Shah for closing comments. Over to you, ma'am.

Ami N. Shah: Good evening, everyone. My name is Ami Shah, the Company Secretary of Gufic Biosciences Limited. Thank you, everyone for joining this call. In case of any questions, which have been left unanswered you can reach out to our team. The detail has already been provided on the last page of PPT which has already been shared to you. Thank you so much. On behalf of Gufic family, we conclude today's conference call. Please stay safe and take care.

Moderator: Thank you, ma'am. Ladies and gentlemen, on behalf of Gufic Biosciences Limited that concludes this conference. Thank you for your participation. You may now click on the exit meeting to disconnect.