“Gufic Biosciences Limited Q1 FY23 Earnings Conference Call”

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MANAGEMENT: MR. PRANAV J. CHOKSI -- CHIEF EXECUTIVE OFFICER AND WHOLE-TIME DIRECTOR, GUFIC BIOSCIENCES LIMITED
MR. DEVKINANDAN ROONGHTA -- CHIEF FINANCIAL OFFICER, GUFIC BIOSCIENCES LIMITED
MR. AVIK DAS – INVESTOR RELATIONS, GUFIC BIOSCIENCES LIMITED
MS. AMI SHAH – COMPANY SECRETARY, GUFIC BIOSCIENCES LIMITED

Moderator: Ladies and gentleman, good day and welcome to the Q1 FY 2022-23 Earnings Conference Call of Gufic Biosciences Limited.As a reminder, all participant lines will be in the listen only mode. And anyone who wishes to ask a question may enter "*"and "1" on the touchtone phone. To remove yourself from the question queue, please enter "*" and "2." Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ami Shah, Company Secretary. Thank you, and over to you, ma'am.

Ami Shah: Thank you so much, Peter. Good evening and a warm welcome to Gufic Biosciences Limited earning conference calls for first quarter of FY22-23. I have with me Mr. Pranav J. Choksi, Chief Executive Officer and Whole-time Director; Mr. Devkinandan Roonghta, Chief Financial Officer; and Mr. Avik Das from Investor Relations team to give the highlights of the business performance of the company and to clarify all the queries of the investors during the call. After the opening remarks from the management, operator will open the bridge for Q&A session, but before we proceed with the call, please note some of the statements made in today's discussion may be forward-looking and are based on management's current expectations, and this may be viewed in conjunction with risks and uncertainties involved in our business. The company assumes no responsibility to publish or update or amend, modify, revise any forward-looking statements based on any subsequent development, new information on future or except as required by the applicable laws in force. This call is being recorded, and the play by shall be made available on our website shortly after the call. The transcript of this call will be submitted to the stock exchanges and will also be made available on our website.

I'll now hand over the call to Mr. Avik for his opening remarks. Thank you, all. Over to you, Avik.

Avik Das: So, welcome one and all to our con call. So, I'll just first quickly summarize how the quarter has been for us and then take a deep dive into each of the divisions. So, excluding the COVID portfolio, we've seen a growth of around 20%. And we've not only been able to insulate our EBITDA margins in these inflationary times, but we've also seen an improvement in our EBITDA margins. Growth in this quarter was primarily driven by exports and our domestic market. We gained market share in key therapy areas such as Infertility, Ortho, and Gynecology as well as Aesthetics, and robust performance was noted in our branded and CMO business via antifungal, hormones and anti-inflammatories. And even our international business, we saw better penetration in Europe and LATAM. Now I'll quickly take you all through the performance of each of our divisions.

So, within the Critical Care division, we've been able to retain leadership position in the antifungal and antibacterial space. As you all are all aware that we launched Dual Chamber Bag for the first time in India initially targeting anti-infectives. The total addressable market over here is Rs. 3000 crore. And of course, critical care segment faced some headwinds due to reduced

hospitalizations and excess inventory in the channel. But with the launch of Dual Chamber Bags and normalization of hospitalizations, we see growth coming back in the next quarter. And in this quarter, we also entered neurology with some unique products and with a dedicated taskforce. And we've also set up a training center. I'll talk about it subsequently on this and the idea mainly over here is to broaden the addressable market for the product that we've launched in the neurology segment.

Now I'll take a quick dive into the Ferticare division. So, in this division, we will be launching dydrogesterone. This is a product which is ready to launch and to derisk ourselves. We have vertically integrated with our own API. The market size for this product in India at the moment is Rs. 700 crore and growing roughly at 60% year-on-year and we are planning an annual sale of at least Rs. 20 crore in less than 2 years. And as a company, we have also invested in developing a recombinant alternative to the urinary source of a certain hormone, which is very critical in the treatment of infertility. And by doing this, we will be derisking ourselves of geopolitical issues as well as currency risks maybe within the next 15 to 18 months. And broadly, we have the widest basket of products now in the infertility segment and we are vertically integrated with our own manufacturing. We have a very strong field presence and we intend to be among the top 3 players in India in the next 3 years in the infertility segment. This is, of course, a Rs. 4000 crore market and growing at 15% year-on-year.

Next, I'll take you all through Health and Spark division. So, we are of course, market leaders in the anti-inflammatory and herbal medicines. We have initiated trial of a product which is derived from Indian gum by a standardized extraction process for management of asthma. So, this is an extension of our existing product, but targeting a new indication of course, which is a very huge market in India. And our brand, in this space, continues to be the market leader in Boswellia Serrata range of products, and new multivitamins and anti-inflammatory basket will be coming up in the coming quarters and will be driving the growth further in these 2 divisions. Now in Stellar division, we already launched Sallaki Max, and now we are complementing it with launch of pain management and muscle recovery products. And we're also launching a very unique topical oil suspension, which will improve penetration and faster recuperation. And we foresee that this is a very differentiated product and very few companies have it in India and we foresee growth to come into this division as a result of a combination of all these products.

Now in the international business front, we've seen a growth of around 25% in this segment. We are very proud to let you know that we are exporting to more than 130 countries now. Currently, we have 180 registrations and in the past quarter itself, we received 13 registrations and we've applied for 33 new registrations. We are very, very proud to announce that we received 2 product approvals from UK MHRA in the past quarter. We've set up our own subsidiary in UK to grow this business. We've also applied for one more product in Brazil. So, for Europe and LATAM, our strategy is very much in place, which is to take our existing developed formulation in these

countries, especially those countries where we already have presence and identify new countries based on market gaps and opportunities.

Now I'll take you through a brief overview and our idea behind setting up the Center of Excellence in Mumbai. So, the Center of Excellence will be not only treating your facial skin and body, but it is going to be using the most advanced equipment, toxins and fillers for entire face and body contouring. And through this Center of Excellence, we intend to bring to market some of the most advanced technologies and techniques, products from across practices and philosophies and markets as well. And this will be the most panoramic way of approaching your skin treatment and body contouring treatments in India. And moreover, the idea of setting up the Center of Excellence is to promote it as a knowledge repository and make it open and available to all members of the medical fraternity to leverage our findings and showcase the magnificent and marvelous capabilities of botulinum toxins.

And after this, I'll just give you all a quick run through of the Aesthaderm division as well. So, Stunnox continues its penetration into the Indian market. We are also developing fillers to complement and complete this entire basket now. We've started, as I said, the training center for new therapies with combination of machines and use of fillers and botulinum toxin for face and body contouring. And we've also tied up with experts in the field of vaginal tightening and vaginal rejuvenation and organized training at national level to promote the use of botulinum toxin for these indications.

And a quick update on our R&D. So, our API R&D at Navsari is going very well. We have selected the molecules in very targeted therapy segments such as antifungals, antibiotics, and a lot of it will be for backward integration as well. And so, that R&D center and the product development is going on very well. And we will be completing the clinical trial for D29 by Q3 of FY23, and we'll be submitting by around the same time to DCGI for final approval. This, of course, is a novel once a week anti-infective, which will be launched for the first time in India. We've also done some interesting work in biapenem in the last quarter, and we are expecting approval soon not only in the vial form, but also Dual Chamber Bag and Dual Chamber Bag will be the first company in India to launch biapenem. Another thing about biapenem is that currently the market penetration is quite low due to the unviable pricing, but using our proprietary technology, we intend to reduce the pricing and increase the reach and thereby increasing the overall market for biapenem in India. Of course, we've had a very successful launch of Dual Chamber Bag. We've also shared a link in our presentation. And I'll highly encourage all of you all to have a look at how beautiful that product is. And isoconazole, we will be complementing the injectable form with an oral option as well by Q3 of FY23.

And overall, the market for this molecule is growing at roughly 100%. Last quarter, we did announce our partnership with Selvax, which is an Australian company focused on immunooncology. So, there's a quick update on that, that this particular therapy has

demonstrated promising results in 2 pancreatic cancer models tested in the preclinical stage. And these results align with other different amounts tumor models tested. So, the current treatment options for pancreatic cancer include surgery, chemotherapy and radiotherapy. These options are rarely effective and in most cases are used to manage symptoms rather than eradicate the disease and which is definitely highlighting to there is a need for a new treatment that can effectively combat this cancer and Selvax has shown some very promising results. We've highlighted that in our industrial presentation as well.

And a quick update on our CapEx at Indore. So, the civil construction and site development work is progressing very well and as per schedule, and we're very happy to announce that it's nearing completion. So, all our equipments have been selected and ordered. And we expect most of these equipment to reach us by September. So, we are still on track for commercialization of this facility by Q1 of FY24. With the Penem block at Navsari, our decision to move it to Navsari has played very well given the timing, the time that we've set and our ability to leverage the existing utilities around. So, the civil work is completed, all the equipments have been received, installations have been completed and we're absolutely on track to hit commercialization in this month itself, which is an announcement that we made earlier. So, with this, I hand over the call to our CFO, Mr. Roongtha to give you all a brief overview of the numbers for the past quarter. Thank you.

D.K. Roonghta: Thank you, Avik. Good evening. I am Mr. D.K. Roongtha, CFO of the company. I am going to highlight the financial performance of the company for Q1 of financial year '22-'23. Firstly, I'm glad to inform you that in the Q1 of last year that is 21-21, the sale was Rs. 252 crore. This includes the COVID sales of around Rs. 113 crore, COVID-related products. And if I remove the COVID-related product, the net sales without COVID was around Rs. 139 crore. Against Rs. 139 crore this quarter the sales is around Rs. 165.7 crore, that is around 20% jump on the top line. Both the quarters figures are not comparable because of COVID related sales of around Rs. 113 crore. So, I'm making a comparison between the Q1 of '22-'23 versus Q4 of '21-'22. Total revenue for Q1 of this year is around 165.70 crore where the subsequent Q1, that is Q4 of '21-'22 was around Rs. 162.2 crore. EBITDA for the current quarter is around Rs. 33.6 crore whereas Q4 of last year was around Rs. 31.6 crore. So, EBITDA margin in current quarter is 20.3%, in the last quarter of last year was 19.5%, there was improvement about 0.80 basis points. Profit before tax has improved from Rs. 26.2 crore to Rs. 28.3 crore.

PAT margin has improved from 16.1% to 17.1%. And profit after tax has improved from Rs. 20.3 crore to Rs. 21.1 crore. PAT margin has further improved from 12.5% to 12.7%. And Q1 of this year versus Q1 of last year is not comparable because of sale of COVID drugs of around Rs. 113 crore. Thank you very much. I now request Pranav sir to take the call forward.

Pranav Choksi: Thank you, Roongtha sir. So, I think Peter, we will directly go to the question and answer, right. I believe that's the normal protocol.

Moderator: We will now begin the question and answer session. Any one who wishes to ask question may press "*" and "1" on the touchtone telephone. To remove yourself from the question queue, please enter "*" and "2." Participants are requested to use hand set while asking questions. Ladies and Gentlemen we will wait for a moment while question queue assembles. Our first question comes from line of Girish Gulati, an investor. Please go ahead.

Girish Gulati: Sir, my question is that regarding the pancreatic cancer, what are the updates which we have? And are we trying to target any hospitals like AG Hospital is there and PSRI Hospital is there as well?

Pranav Choksi: So, yes, in terms of the therapy, what we normally do, we are currently following certain animal models as per the regulatory pathway. So, first, we have to always like, Avik also commented, we have to start with some animal studies and then only we're allowed to take the permission of the government to perform certain human studies. Of course, assuming it's an oncology product, the permission is a little bit fast track where it goes through a protocol. So, as of now, the status is that, as we have mentioned, these are mostly for solid tumors, the entire immunotherapy which we are working on, and we had already got good results in some species of animals that is dogs first and then mouse and all that. And now the recent update, which has come is in regard to pancreatic cancer, again, being a type of a solid tumor, but more importantly, it's a different type of tumor, which we got sort of a higher percentage of remediation, which is not possible in the conventional FDA approved therapies also. So, to answer your question, so yes, right now it's with an Australian government, we will be starting the journey to the Indian government once we get the tech transfer is on process and so we get a final formulation, we do the tech transfer, and then we will be applying to the Indian Government to either allow us to go for a direct Phase 3 or maybe they might ask for a Phase 2. If not, I don't want to do any animal studies here in India till the entire concept has been fully proven. So, we are looking at least some time off till we start the human trials in India.

Girish Gulati: Because see, why I was asking this is pancreatic cancer is usually unsoluble disease and we'll come out with a medicine which can take care of it. Usually it is fatal only.

Pranav Choksi: So, very rightly said. So, pancreatic cancer, I would say it's one of the difficult cancers to treat. But like you rightly said, it is having its own challenge. And so, we hope that with such data in the animal models, we should get a fast track response to do some trials earlier in the Indian market also. So, I agree with you. We should try to push it, and we already are trying to push it to get some earlier response. So, we'll be submitting the DCGI very soon.

Girish Gulati: Good luck, sir. Because that's a very, very challenging disease actually.

Pranav Choksi: Thank you, Girish ji.

Girish Gulati: And one more follow up was, in the last I think Q3 con call, you mentioned about Indore facility will be coming up with vaccine, NDDS, biotech, and **Peptides** because this is an area of your interest, so just wanted your brief on that, sir.

Pranav Choksi: So, as you rightly said, we have already launched the peptide forms, the recombinant protein recombinant hormones are something which Avik also spoke about, we are trying to get in the next 15-18 months, maybe one product before that also. The oral vaccine technology is something which we already have applied the proof-of-concept to the DCGI in February and we have got a reply some months ago and we have replied back to that also in the month of July. So, we are hoping for another lineup maybe in the month of August, how to take it forward. Then we are going to apply in the month of October. For one more candidate of the oral vaccine technology to the DCGI. Knowing the timelines like I said, vaccine will be little bit more long term in terms of the regulatory cycle as compared to the recombinant proteins because I would say the recombinant products are mostly like biosimilar whereas oral vaccine technology will be a complete new technology. So, I foresee some, I would say extensive regulatory pathway which is fine and we accept that and we want that to happen. So, we ensure that the product is completely safe and effective. But it is exciting. I hope that oral vaccine when the time comes of at least the preliminary preclinical, then animal and Phase 2, you will be hearing some nice updates from us.

Girish Gulati: And sir, on that platform of biotech?

Pranav Choksi: As far as the biotech, it's entirely about recombinant proteins, oral technology and immunotherapy of the tie up at Selvax. So, these are the 3 things which we are working on in the entire thing of biotechnology, apart from of course, the peptides, which we already mentioned, we are doing work on, recurrent implantation failure and endometriosis. So, all of this comprise the entry of Gufic into these sectors. So, three 4 of these things.

Girish Gulati: These are very challenging, and I wish you good luck for this.

Pranav Choksi: Thank you for your patience and I take this opportunity. I hope you have patience in the company because these are long term, but they are really having their trajectory. So, we will go step by step and we'll ensure that we do it the right way.

Girish Gulati: We are always there to support you as a part of Gufic, sir

Moderator: Our next question comes from the line of Rajat Setiya with ithoughtpms. Please go ahead.

Rajat Setiya: My first question is about the Dual Chamber Bags backs which we say is a Rs. 3,000 Crore opportunity. So, can you please highlight who are the major competitors and what's their market share?

Pranav Choksi: When we say Rs. 3,000 crore market share, we specifically refer to the conventional dosage forms which are available in the form of Penems, then penicillin-based antibiotics, and also some I would say gram positive antibiotics. To name a few we are talking about meropenem, imipenem, biopenem, doripenem, piperazine, tazobactam and vancomycin and teicoplanin. So, these are currently available in India. I'm again talking specifically for India, only in the form of the normal vial. So, you have a glass vial, you have a rubber stopper and I would also once again take this opportunity for you all to refer to the link which Avik has mentioned because I'll try to explain to my level best in the call. But once you see the video which we have uploaded on the presentation, it gives a very good 3D, like lots of audiovisual representation of what the technology is about. So, currently, the product is available in a vial and the entire nurse majorly and the medical fraternity takes approximately 3 to 5 minutes depending on their time to reconstitute each product, which might lead to cross contamination, inaccurate dosing or in some cases other sort of a contamination because of air or because of using the wrong needle or the wrong diluent also.

So, with this technology of dual chamber bags, we have ensured that the entire drug remains in a very enclosed way, and that is not exposed to atmosphere and the entire reconstitution happens only in around 20 seconds as compared to 3 to 5 minutes. So, imagine, in today's scenario, when the workload on the nurse is quite, I would say high because in any ward you see the nurse to patient ratio is quite high, apart from just treating them and serving them, they also have to take care of documentation which is a big thing as per the new guidelines also. So, if we can save around 3 to 5 minutes per patient and maybe a patient has to be administered medicines on an average around 3-4 times a day I 'm saying on an average, we are saving a decent amount of time for a nurse whereas in some cases, we have done some experiments, around 1.5 hour of a nurse is saved on a daily basis which we can either spend on the documentation or spend on herself to just take a break and relax. But more importantly, the cross contamination is there in the ICU setup, where because a lot of people have different, different diseases and different, different conditions and since the entire dual chamber bag is enclosed, there is no air hole or there is no pinhole or there is nothing else which comes in over. So, the entire drug goes into the IV in the form of an enclosed system to avoid any sort of exposed contamination. So, we refer to this technology as a new thing which has been brought in into India in form of this.

At the same time, I would like to be very upfront, this technology is already available for some products in the US and the European markets. However, the price is almost 3 to 5 times the cost of a conventional product which makes the production not viable, and that's why it's not keeping up. We are proud to say that we have launched the current product with only a price of around 15% to 20% in some cases than the conventional drug right now, for these products in the Indian market and we foresee that maybe after a year or 2 once we reach economic scale or maybe earlier than that, we foresee that we can make the cost of a dual chamber bag almost same as a conventional vial which will be a big revolution. So, this is the product which we are talking about.

Rajat Setiya: So, basically of the Rs. 3,000 market some is dual chamber which has just started and rest is conventional vial. So, how much would be dual chambers at the moment?

Pranav Choksi: The entire Rs. 3,000 crore market is conventional vial only. We have launched the product just right now. So, we are the first one to come to dual chamber and then we will be taking a market share from this. We are the only one in India with a dual chamber bag, no one else.

Rajat Setiya: And imports are also not happening for this kind of vial?

Pranav Choksi: Imports are happening for liquid-liquid parenteral nutrition which are triple chamber bag but no one in India as of now has a powder liquid dual chamber bag, which is the most unique and complex thing only Gufic has. And Gufic is going to that via their own and also we are going to give it to two of our associate clients to bring up the concept molecule wise.

Rajat Setiya: And what kind of revenue potential you see for yourself in next 2 years from this product itself? And the dual chamber bag that we have launched is the only product in this category or do think there will be more variants to address different kinds of therapies?

Pranav Choksi: Always. So, anything which can be done intravenously, we can do in this product all the way from 50 milligram to even five grams, all the way from 25 ml to 100 ml. We can always have these permutations and combinations, and we have the capacity to back it up. Answering your question, I have an internal target of the market share, but I'll refrain from doing that. But like I say, we are working on so many things, something works at this time, something works at that time, but overall, our target of minimum 15%, 20% year-over-year revenue jump will be coming and this product will be paying quite a big role along with Indore facility also. So, we foresee that we should, as it is, try to take as much as market share as possible. But again, I cannot give you numbers as of now because it'd be too, I would say wrong on my part. Give me a quarter, I'll see the response. And I will give you a much more solid number by then.

Rajat Setiya: And are you seeing any more people entering dual chamber bags in the immediate future?

Pranav Choksi: As of now, no, I don't see because for us, it at least took us 4 years to actually get it done. Because we got the entire thing from Europe, we had to do something indigenously all the way from mold making to stabilities and all that. So, see, if anyone wants to follow the right European and the US way of launching a product which we do, then I don't see a competition at least for the next 2 years. However, I've seen India, people do shortcuts and come up with inferior products which I cannot comment on. But as of now I don't see any shortcuts of inferior products coming in. But if anyone has to do and launch a product our way, minimum they have to work 2 years from now, if they have to start, minimum I'm saying, it must be more because at least we will be what we call a blueprint for people to follow.

Rajat Setiya: Also just one small thing if I can suggest. In the opening remarks if we can cover something which is not already mentioned in the presentation that will give us more time for the Q&A.

Pranav Choksi: I agree. I hope people like you at least read the presentation. A lot of people just meet us without the presentation, but I got your point. What we can do we can maybe shorten it up a little bit and we can spend more time on Q&A, I got your point.

Moderator: Our next question comes from the line of Subramanian K. with Alpha Invesco. Please go ahead.

Subramanian K.: Sir, my first question is, assuming the total market share of Critical Care is Rs. 5,000 crore, which was mentioned in the previous call. And actually, a lot of things lined up like dual chamber bags, Zarbot etc., currently we have 4% market share which is Rs. 200 crore sales in FY20-22. And in the Ferticare, we have 3% market share in the Rs. 3,500 crore total market size. So, I wanted to understand what are your aspirations moving forward and when can we see the double digit market share capture in each division?

Pranav Choksi: Subramanian, firstly, I would like to compliment you for your precision, even I don't know about the percentage you said is right or wrong, but I like to compliment that. Coming back, I think in a market like India, only innovation will bring that double digit, I would say market share. If you see the ORG IMS numbers also, you'll see the entire market of Rs. 1,80,000 crore which according to ORG IMS is there, I'm not giving you any number from my mind. If you see that number one company still would be around 8 to 9, but I'll still correct myself, I think I'll wait for Avik to maybe see the IMS data and inform me what is it. So, I would of course, love to have double digit market share in India, and I think you rightly said, in Critical Care and in Infertility possible because of certain launches which we have planned in the next few years. And as Avik mentioned, I will first talk about Infertility.

As we see, what the market of infertility products will be much higher. But when we give you a certain number, we only talk about the represented market where our molecules are present. So, say if I've launched a progesterone, I will only talk about a progesterone, I will not talk about the dydrogesterone. But if I talk about dydrogesterone, it will also include only dydrogesterone. So, that way considering that, we feel in a represented market share, we hope in the next 3 years, we should have more than definitely a double digit, maybe next 2 to 3 years, we should have a double-digit market share in the represented market for sure.

Coming to the critical care, you rightly said if you see critical care is very unique because all the way from anti-infective, then anesthetics, cardiac, even neurological, even parenteral nutrition, anesthesia, a lot of things come in critical care. So, the Rs. 5,000 crore market which I was referencing is again is related to the represented market where we have molecules present.

We have plans now from the Indore factory and from the Navsari factory to actually go and gradually address in the next 3 years a Rs. 25,000 crore market share where we have listed out molecules as per ORG IMS. And we're trying to go a little bit on a penetrative model, where we get into all primary, secondary and tertiary hospitals via a different alternate model of end to end. So, again, I'm saying that as my molecule launches go up, I will be always increasing my represented market from a Rs. 5,000 crore to a Rs. 25,000 crore. So, even though in the represented market, I might be getting into double digits, when I increase my market share to Rs. 25,000 crore, I might again come in a single digit after 3 years because of there'll be new lines launched. So, as a molecule while I would like to share with you in some example, we are the number one company for some fungins, we are the number 2 company for some antibiotics, we are the number 3 company and because of these individual molecule markets, we already might be in double digit right now itself, we might be in certain cases maybe 20% of the market, in certain cases we might be 33% of the market share also. So, it's a very difficult way for me to answer your question, but I hope I have done it in my best way possible.

Subramanian K.: It has given me understanding of the total addressable market, like how you are projecting yourself. So, I will go ahead with the other division. So, I want to understand what are the challenges in making Sallaki as Rs. 100 crore sale product. So, if you see as we are using 30% of field force healthcare division, which is the highest among other division in terms of this field force usage. And sales per field force is low compared to industry standard. So, do you have any other anchor products in pipeline which can replicate Sallaki?

Pranav Choksi: I think very good question. I think this is a very good question, which I asked myself and the marketing again and again. If you talk about non-steroid anti-inflammatory products, you have the diclofenac which are very big markets. If you see a Boswellia serrata, maybe it might not have an analgesic effect as much as a diclofenac would be. But the long-term use of a Boswellia serrata and the safety and the benefit of a Boswellia serrata as an anti-inflammatory is far, far more than these other NSAID. But the problem what I feel, this is my own personal opinion, please take it in that way. Normally, when anyone goes to a doctor, the doctor wants the person first to get relief of pain and that's why there is always important that you have to give an analgesic first followed by an anti-inflammatory. For us, we are in the last 3 to 4 years also trying to endorse that let's say, the Ayurvedic experts already established the product and we have a particular scalability in place.

For us actually to go for the genuine high scale of Rs. 100 crore or Rs. 150 crore reach make this Boswellia serrata market. Forget just Gufic Sallaki, if we want to make the Boswellia serrata market in multiples of hundreds of crore also, we need to do many more clinical trials and training sessions for the orthopedic doctors and the decision makers of KOLs who actually are the main primary treatment leader for rheumatoid arthritis or osteoarthritis and ensure that how we do that, So, we are trying to do that in the last 2, 3 years. It's not easy. We try our level best to do trials. We try our level best to do symposiums and we tried to do training. I would not use

the word training is the right word, basically it's just informing and telling the doctor ensure that they try to do it. Even if you see the cost of therapy of gum on the long term management of the disease is much, much, much convenient than doing any other things which is available in the form of the modern medicine also.

However, I'm not here to debate the pros and cons of either. But I would like to say that our efforts are on, we hope that via doing more clinical trials, via doing more studies with different, different institutes and key opinion leaders of India, we want to confirm them that the Indian alternate anti-inflammatory is very good. Also, I'll tell you one more challenge which we had in the middle. Since our product was a proprietary medicine, there was a rule in some states. And again, I'm telling you what information we have and you can check it up on your own also, a lot of allopathic doctors are not allowed to write Ayurvedic products and even Ayurvedic doctors are not allowed to write allopathic products. And this is something which we always try to go and change and talk to the government and do it, and of course, government is helping us a lot also because there's always benefit in either. We cannot say that no, this is important, that is not important. And now since for Sallaki, we have actually pro is a product as a modern medicine. We have worked on the pharmacology part of it, we have worked on the pharmacokinetics.

Anyway, we also have worked on the mutagenecity of the product also which we have used the data to register our products in countries like Germany and Switzerland. So, if modern doctors from Germany and Switzerland are allowed to write this product, we also have made a representation to the Government of India and they are helping us because they also want to promote Ayurvedic product use wherever science is involved, I'm not talking about all Ayurvedic products, but wherever science and data is there, they are backing us to also make other doctors use. So, I hope in the near future, if the modern doctors try our product, use our product which we offer, we will work a lot for that. And if they are allowed to prescribe a product, I don't foresee why not Sallaki becoming a Rs. 100 crore product very soon. Because it's standard, it's been there for 20 years, it's become more than a Rs. 30 crore product, but I hope very soon we can extrapolate it to much higher number.

Subramanian K.: Thank you very much, Pranav sir. This is a mind blowing explanation for the history within Sallaki and the market dynamics. So, we are focusing only on Sallaki because we are having more than 30% of the sales force, like is there any other product like you are facing with Ayurvedic challenge with modern doctors. So, do we have any other products in pipeline?

Pranav Choksi: Yes, of course. So, we have multivitamins, we have products for kidney stones, for any stones and we also have products for Cough end, which is a combination of honey and what you call our other conventional forms, they are also very good. So, we have more than I think more than 18 products and more than I think 24 SKUs which is part of the division. We also are launching some new innovative, I would say options for cardiac treatments soon. Of course, it's no use just launching a product on concept. Before launching any product on concept, we try to do some

clinical trials, then we do some data. So, at least, it helps to convince the doctor with scientific data. Otherwise there is a plethora of products in the market which just makes claims which has no evidence. So, Ayurvedic products will improve in India only when they are backed with scientific data and that is what we are trying to do step by step.

Moderator: Our next question comes from line of Bhavya Sonawala with Prime Asset Source. Please go ahead.

Bhavya Sonawala: Thank you for the opportunity. Just to understand, I know I came to this before, but just to understand again, according to what you know, what is the differentiating or the unique factor? Is it that using lyophilizationas the process, are we trying to come up with new drug delivery systems? I'm just trying to understand what is our macro strategy to grow, that we have many growth levers. So, what is our strategy and what sets us apart? Thank you.

Pranav Choksi: I think that's very long question to answer. I think I can finish the entire call on this question, but please I'll try to do my level best how do I answer that. So, you would like to say something Bhavya, please, then I'll talk.

Bhavya Sonawala: No, nothing, sorry, sir.

Pranav Choksi: So, like I said, so something is the legacy business of Gufic which we're trying to do in our own way and take it forward. At the same time, we know there are certain growth levers which immediately helped us for the scalability like lyophilized and the Critical Care and infertility. And then we're looking at a long-term picture of Gufic also which is fully innovation driven. So, when you take any company cycle and I'll explain to you. So, we had some legacy business of Ayurveda nutraceuticals and consumer. We got out of consumer and we're stuck Ayurveda and we launched modern products. And then we got into lifesaving injectable which helped us scale through. Now that business is doing well and we now are looking at from India, we went to other geographies and then we went, of course, backed with better regulatory facility first in Navsari, increasing capacity, then went to Indore which will come from April 2023, which will be additional capacities plus new geographies, maybe certain markets like our Navsari factory is approved in all countries except US and Japan. It's we already are exporting to all the countries as what Avik already mentioned.

With Indore coming up, we are not only doing lyophilization, we are doing prefilled syringes, we are doing suspensions, we are doing depo injections, we are doing liposomal injections, we are doing certain ampule complex molecules also and then there'll be a separate set up in Indore down the for biotechnology. So, wherever the company matures, the ideas are there, but depending on the cash flow, and depending on how much the company can punch above its belt, that is what we are trying to keep that balance going on. There might be amazing ideas. India is not a market where if you have ideas, you can just go and get a PE fund and go and just become

a one product company. The balance sheet and the numbers always matter. And luckily, for us also, with Roongtha sir and the India team, we are very disciplined in our approach in terms of what we can do and when we can do. So, that's why many people feel see Gufic as a multi lever growth lever company and say why are you doing so many things, it's not.

The basic essence of Gufic is innovation. It was innovation in Ayurveda with scientific data. It was innovation in injectables in terms of not only product basket, the economies of scale, but also the pipeline. And now also, I would say innovation to some extent in terms of execution to get into these multiple countries where we can take market share and using our economic of scale and other levers, maybe go for a better penetration and for a higher scale. Coming to the third point, which is I'm a B. Pharm and M.Sc in biotech. I always feel that going down the line, conventional products are very good, they will have their own trajectory. But at the same time, you have to work on something unique, which we started off. So, even the Botulin toxin was something unique, which we started working in 2016-2017. Eventually, we launched in 2021 and now that will have its own growth story, it will take time, but because we have to drive and educate the culture and educate the entire thing in India which takes time, and because you know it's not an overnight thing, but we have to create a market with science and we have to create a market with trials and training and all that which we are interested to because we know that it's not a conventional competition where suddenly once we launch, 20 other people will come and they take the market share. So, here, we will create a market where we try to be the leader down the line and we know that because of the growth contribution and the backward entry or vertical integration, whatever we call it we have, we will be there a strong player for years to come.

Similar with the biotech programs of immune-oncology or with the vaccine technology, we want to work on unique things where you know, with the help of patent protection, with the help of IP protection, we can offer solutions, which can help us for higher scalability in of course the budget which we have and something which can put Gufic in a different orbit in terms of the reputation of innovation, that's what. So, all of them are part of the essence of again innovation and science, which is the core backbone of the company, and we do it in our way step by step. I cannot just start burning Rs. 300 crore, Rs. 400 crore of cash on any unique product and start waiting for that. So, we do it in the right way and take it forward. So, that's why you have these different, different growth levers, which will have their own what we call roadmap, but eventually they will be branching out from the same I would say ethos of innovation.

Moderator: Our next question comes from line of Pujan Shah with Congruence Advisors. Please go ahead.

Pujan Shah: I have a few questions. First of all, it's about drydogesterone. In presentation, we were saying that it is a market size of Rs. 700 crore and it is growing at 60% Y-o-Y. So, we are targeting just only Rs. 20 in less than 2 years. Like, is this market too concentrated? Or like it's a high entry barrier to get into this product? Can you give some gestation over there?

Pranav Choksi: So, basically, sir, drydogesterone before 2 years was a market only of 1 or 2 players, duphaston of Abbott was the only molecule which was ruling the market quietly for 3 years or 4 years before. I think Mankind came and did a wonderful job and could crack the molecule first. Now of course, as you rightly said, yes, there are around now 3 or 4 players and it's a very complex product to work on. It uses some principles of photo refractory cell and all that, it's not a product which can be just done as a conventional pharma product. Now why everyone is interested in it even though there are around 6, 7 players in the product is because if you see the Indian population and you see the use of a progesterone, so basically drydogesterone is another molecule as an alternative to progesterone which is naturally possible and it is something which helps in not only pregnancy, but also in infertility also. It's one of the treatment options beyond infertility after the infertility is taken care of, and then you have to maintain the pregnancy.

So, the US is almost for a long period of time. And hence, we feel with our deal force, and our focus is mostly on infertility right now. And eventually if we can do a good job in Guyana, then of course, we foresee our market share will improve. But right now, with the infertility segment where our friends are and because we might be not in the first 3 or the first 5 company to launch this molecule, we are looking at a I would say, very fairly conservative outlook of Rs. 20 crore in the first 2 years, because we foresee more and more competition coming in. In India, the market is very different. In India, such molecules, you will see, maybe someone launches and then you will see 100 companies just fall in maybe in a period of 2 years. And that's why we always become conservative and we don't go overboard, because then we never know how the outcome will come.

But one advantage what we have is we are backward integrated, there are very few API manufacturers of it. So, we hope that even though as a brand, we might not be able to do much or we might try but there might be always this clutter and prescription war happening, we might always focus as a API supplier. So, that is another business model we are looking into if we cannot cut it out, because like we said, we already have a lot of I would say focus things which we want to get into. And this can be an add-on, but where we can have more focus on the API supply rather than the formulation also or let's see how it goes.

Pujan Shah: Thanks for detailed answer. My second question would it on isoconazole which is an oral option. So, market is growing at 100%, so can you just give us the market size like what will be the roughly market and like how it is evolving and just give some options like how it's been transiting or taking some market option or overlapping some market over there?

Pranav Choksi: So, to understand this market, you have to understand 2 points, isoconazole injection and oral was launched by the innovator only 1.5 years ago and it was launch in a good time for the people of India because after COVID, there was mucormycosis which came. And in mucormycosis along with other products like liposomal amphotericin B or other products like voriconazole, other products like even fungs, this was a good product of choice like posaconazole also. So,

there was only the innovator player who was still available in the Indian market till now. We were the first Indian company to get the permission from DCGI this year in 2022. And we launched the product just 2 months ago, where I think 2 or 3 months, which was mentioned in our, I think last quarter call, we just have an injection right now, and we're like now looking forward to launch the oral.

The oral use is almost 3:2 in terms of the injection use. And we foresee that with the oral becoming more affordable for the people of India than what is it right now in the market, we foresee that the market of certain specific fungal infections will be getting I mean, there might be either resistance or there might be some challenges in terms of treatment, this can be a very good effective weapon for us to address that.

So, right now, the market being small, I'll look at the market itself. As per ORG IMS, might be not only Rs. 30 crore, it's only been only 1.5 year, but you can imagine in 1.5 year, only with the innovator at such a high pricing, it's become I think Rs. 25 crore or Rs. 30 crore, but it's doubling up every year. So, when I compare this market with the other antifungal market which is quite huge, then we will see that this molecule will take more and more market share and it has a good scope to go much higher.

Pujan Shah: Just like a compliment for dual chamber, actually I saw the video and it's a fabulous product, hope so it gets good traction in the market. Sir, one of the point I just wanted to highlight is we have given a breakup of domestic business and total revenue, but we haven't played the percentage wise. So, can you just give me the split of the percentage wise if we can for Q1?

Pranav Choksi: Of the domestic business?

Pujan Shah: Domestic business breakup, we've presented in the presentation but the number has not been given, percentage for them has not been given.

Pranav Choksi: Let me correct me what I'm not answering. So, yes, so always if you see the domestic business is always around 50%, 55% of our total revenue anytime.

Pujan Shah: Sir, could you just give us the like the split of the Critical Care, Infertility and others. Like we have given the split, but actually since percentage wise, we haven't given on that.

Pranav Choksi: For the quarter itself, I might not be aware about that. But what I can do, I can ask Avik to specially send you so there'll be a more precise answer then what I tell you, which might be not precise. Is that okay with you?

Moderator: Our next question is from line of Ankit Minocha with MRLR Capital. Please go ahead.

Ankit Minocha: I thought it was a decent growth on EBTDA margin this quarter. So, is this EBITDA margin of 20% sustainable for the coming year? And is it what we should be looking at. That's my first question.

Pranav Choksi: So, Ankit, I think I'll request Roongtha sir to answer that question. He'll be more adept than me. Roongtha sir, can you please take this question?

Devkinandan Roonghta: Sir, last year, our EBITDA margin was around 18.7%. Last Q4 of '21-'22 was around 19.5%. This quarter, this was 20.3%. We feel that looking to the current business value, we will be able to maintain the EBITDA margin for this year at least 20% and it can go up to 21% also, depending upon the product mix and prices in the international market of the API prices.

I can say that after Indore is coming to play in '23-'24, there will be pressure on the EBITDA margin because the capital utilization in first year will be around 30%, 35%. So, there will be pressure in the '23-'24 of the EBITDA margin. It will be around 20% or it may fall to 19% also because of the burdens of finance cost, depreciation, and capacity utilization will be only 30%, to 35%. But after '23-'24, we expect the EBITDA in long term improve by 100 basis points year-to-year at least for 2, 3 years. So, that it will be the overall expectation of EBITDA margin depending on the overall business condition.

Ankit Minocha: That's a very comprehensive explanation. And another suggestion, it's actually very exciting to see that your new opportunities that you're working on, as an investor. But if I ask you about the core business, I mean, on lyophilization for the moderate term, how do you look at that for the next 5 years? I mean, how does the growth for lyophilization look from an Indian and international perspective maybe I would say 5-7 years down the line?

Pranav Choksi: So, if you honestly ask me, it's still my go to thing because, and I'm very bullish about it. I'll tell you some reasons why. You already saw the potential of the lyophilization masterpiece of Gufic last year. So, when you saw just a molecule like Remdesivir, and of course, I hope and I pray to God that we don't see any pandemic in the near future and I hope we don't do that, but you saw the capability of the company to handle such a pandemic when you saw company is growing by 300 to 400, 400 to 500 and suddenly that going to close to Rs. 790 crore, that's scalability what we have.

Even without any pandemic, or something, the organic growth of the injection market space is anywhere around 12% to 13%. I'll come to the international market later, I'll come first to the Indian market to tell you what I mean by perspective. If you see the indoor factory coming up, it's going to be almost 2.5x the capacity of what we have in Navsari and that's not something great. If I'm assuming there are 7.7 billion or 7.8 billion people in the world in 1.3 billion in India, that 1.3 billion, the medicine in terms of the number of hospital beds, if you just see the reports of the number of hospitals which are coming up all over India and not only focusing on

the Tier 1 cities but Tier 2 cities, we foresee that the ICU market and also the general ward market to be much higher.

Gufic, and I mentioned this in one of the answers before, we were right now addressing only a Rs. 5,000 crore represented market. We have a pipeline of making this Rs. 5,000 crore market. So, in today's term out of the Rs. 180,000 crore, till around 2 quarters back, we were representing Rs. 5,000 crore in terms of critical care. Now with dual chamber bags coming in, with Zarbot coming in, with now some other molecules planned, we are planning to have 140 molecules to be prepared and launched in the next, I would say 2 to 3 years. We are looking at this Rs. 5000 crore market to be actually more than Rs. 25,000 crore market as on now. The Rs. 25,000 crore market anywhere is growing at around 10% to 12% year over year.

We foresee that if we come up with keeping lyophilization as a backbone, keeping in mind just the product extension to support that lyophilization in terms of prefilled syringes, ampoules, suspensions, vials, dual chamber bags and so on and so forth, we are quite bullish about that in the Indian market also.

Now, let's take the international market. Gufic has only touched markets like Germany with only 3 molecules, but out of that only 6 SKUs. What we have a product basket in India, if we can start extrapolating this product basket to maybe Germany, to Portugal, to UK, to Brazil, to Canada, to Russia, wherever we already are present, you see that as a separate marketshare we are going into. India might be still ranked around the 12 to 14 country in terms of value; again correct me if I'm wrong, this is what I saw in some data sometime ago.

So, even there are other markets like Europe, which have maybe a better pricing or even let's say even if the pricing goes down, it'll be still much better than what we're getting in India and having good volumes there itself. So, we are quite bullish that right now where right now where we are present in multiple countries, but only having 2 products or 5 products or 7 products and I'm talking of only regulated markets, let me come to the semi regulated later on, we foresee a big thing coming there.

Also it took us some almost last 6-7 years to develop a strong pipeline and now because of the money and the cash flow coming in, we have a faster onset of increasing the pipeline along with Navsari R&D, now we have an Indore R&D. So, with these 2 R&Ds, we are churning out new products in terms of dossiers, in terms of things month after month. So, the time of us having a bigger basket in these multiple countries just keeps on growing more and more. So, I will not take much of your time because I know there are other questions, I'm getting messages that please wind it up, but I'm just saying lyophilization and I would say overall injectable business with new drug delivery system like dual chamber bags of prefilled syringes or even dual chamber syringes will keep on going up and which will be of core competency for us and it's not that we are going away from.

So, even if an oral vaccine comes or immuno-oncology comes, it's eventually going to be an injection on oral pharmaceutical products take product which will be anyway having some part of lyophilization for bulk sterilization or bulk lyophilization or for that matter even making it all these products are heat labile are water, they decompose on exposure to atmospheric humidity. So, lyophilization will be the backbone for these technologies also in the future.

Moderator: Our next question comes from the line of Chetan Phalke with Alpha Invesco. Please go ahead.

Chetan Phalke: Sir, just wanted to understand regarding our Indore plant. As Roongtha sir rightly mentioned, I mean, we will achieve 35%, 40% capacity utilization in the first year and then it will gradually go up. So, when can we reach 70%, 80% kind of utilization at our indore after we commence the operation? And once we achieve that kind of utilization, what should we our fair understanding of the gross margin trajectory? I mean, can we expect 55% plus kind of gross margin?

Pranav Choksi: So, I think for the margin, I'll try to give my point of view, but again I'll request Roongtha sir to comment about it after I give you the answer about the capacity. So, in terms of the capacity, on a pessimistic way, I'm saying, let's say, everything is against us and everything goes wrong, let's say in April 2022, the commercialization will happen, I'm looking at least a 4 year window on a pessimistic way. In optimistic way, I can look at 2.5 to 3 years window maybe for us to reach 70%, 80% capacity because there are 2 things which we have to be ready for. The Navsari, I foresee in the next 1.5 year to have that maturity and that saturation coming because of the dossiers which we e are filing, of course, in addition to the Indian market, which is also growing at that fast pace.

So, if our regulatory, what do you call team and a dossier submission team can keep the pace with our production team, then we should be fine in 2.5 to 3 years. Or if our regulatory team is way behind or we have some other issue whether inspections can be delayed or something delayed from the government authorities in terms of approvals, then it might be 4 years on a higher way.

Chetan Phalke: Okay. And the gross margin trajectory, sir?

Pranav Choksi: Gross margin I think we already are at around but again let me not say anything, I think we already have reached around 50 to something, but Roongtha sir, may be you can maybe throw some light over that, how do you foresee that going forward?

Devkinandan Roonghta: First year will be because of the validation batch, there will be very high consumption of raw materials. So, first year, I can see the gross margin may be in the range of around 45%. Second year, it can be increased to 50% and from second year onward, I believe the gross margin will be around 55%. But first year, gross margin will be 45% because of the validation batch of the

initial product to be consumed**.** And second year will be average that is around 50% and third year onwards it will be around 55%.

Chetan Phalke: And my follow up question is sir, what are the opportunities that we are seeing in the global CDMO market? Because I think some 2-3 quarters back, we had mentioned that we have signed some 3 contracts for contract research and development with a couple of big multinationals and a couple of European companies as well. So, just wanted to have your views on that, sir.

Pranav Choksi: So, yes, that is the hope which we have, because you know having 300,000 or 320,000 square feet single premises of having almost all form of injectables all the way from like I mentioned, again, I'm repeating, please don't get irritated that from lyophilization to PFS to suspensions to dual chamber to even there might be a provision of what you call, ophthalmic line also in Phase 2, if we intend to, and of course, the capacity, the capacity is huge. So, with this we'll be the largest facility manufacturer in the world of lyophilization, even after I mean even above China in one of the plants there.

So, I foresee that CDMO will be an important thing for us. CMO has been an important thing because you always feel that it's always better to have these big brothers or the big companies to actually help you to reach that scale, which always take it for and that is a thing which we really believe in. Definitely, there are opportunities, we're already in discussion, already for our Indore factory, the inspections and people's visit to Indore will start from, November, December, January itself even before going live with commercialization.

So, because we want them to be part of the regulatory process, we want them to give us ideas that whenever we are doing the final touch ups of the factory, we are incorporating all those ideas and all their guidance so then when tomorrow, let's say even a market opportunity for US opens up for us, we are equipped to handle their CMO business or CDMO business.

Chetan Phalke: And what's the progress on these 3 contracts that we signed a couple of quarters back, if you can?

Pranav Choksi: So, two of them already the dossier is in place, we are finishing something for some products, the P formulation is done. We are looking at waiting for the Indore facility because then we have to go for the tech transfer there. So, that always goes through. So, some people like I said, there might be some contract which might fall off because timelines might go here and there. The US generic market is very aggressive in terms of first launches. So, talks are already on. So, I will say two of them are going very aggressively, one we might put on hold because it depends on the timelines of when will the Indore commercialization happen and if the client happy with the time for the ANDA filing.

Moderator: Our next question comes from the line Irshaan from Vivog Commercial. Please go ahead.

Irshaan: I just had 1 question regarding your Aesthaderm division. What is the revenue contribution from this division? And what kind of growth are we seeing in this division from the past 3-4 quarters.

Pranav Choksi: So, the contribution will be around 3%, if I'm not mistaken, but again I'll Roongtha sir to confirm that. Since the base is too small, so I believe at Aesthaderm, the cosmetic products are not growing much and maybe only around 6% to 7%, but the Stunnox, botulinum toxin is on a quarter to quarter level growing at around at least 25%, 30% number.

Irshaan: What kind of aspiration do we have for this division? Like what kind of revenue contribution do we aspire to derive from this division or let's say in the next 3, 4 years?

Pranav Choksi: Specifically for botulinum toxin, I had mentioned in the past also that keeping the international market and the potential what it has, India is very, I would say in the infancy stage in terms of penetration. So, again, I think I mentioned in the past also but if you put a gun on my head, I still feel the botulinum toxin market should be close to Rs. 70 crore, Rs. 80 crore in the next 3 years. Again, I'm seeing the potential is much high in India, but I know the hard work which has to follow. So, even if I can Rs. 70 crore, Rs. 80 crore, then the next Rs. 100 crore, Rs. 300 crore, and Rs. 500 crore would be easier, but the first Rs. 70 crore, Rs. 80 crore will be a big challenge for me.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for today. And now I would like to hand the conference over to Ms. Ami for closing remarks.

Ami Shah: Thank you. Thank you, everybody for joining this call. I hope all your questions and queries are satisfactorily answered by us. And in case if there are any further questions that have remained unanswered today, you can reach out to us or Mr. Deven Dhruva from SGA Investor Relations partner. The contact details are already provided on the last slide of the presentation uploaded on the website of the stock exchange and you can find it on the website of the company. Thank you so much. Good evening. Stay safe and take care.

Moderator: Thank you. On behalf of Gufic Biosciences Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.