“Gufic Biosciences Limited Q1 FY 2025 Earnings Conference Call”

August 14, 2024

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MANAGEMENT: **MR. PRANAV CHOKSI – CEO & WHOLE-TIME DIRECTOR**
MR. DEVKINANDAN ROONGHTA – CHIEF FINANCIAL OFFICER
MR. AVIK DAS – INVESTOR RELATIONS
MS. AMI SHAH – COMPANY SECRETARY

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '25 Earnings Conference Call of Gufic Biosciences Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch tone phone. Please note that this conference is being recorded. Anyone who wishes to ask a question may press "*" and "1" on their touchstone telephone. To remove yourself from the question queue, you may press "*" and "2".

I now hand the conference over to Ms. Ami Shah, Company Secretary. Thank you and over to you, ma'am.

Ami Shah: Thank you, Dan. Very good evening to all ladies and gentlemen. And a warm welcome to Gufic Biosciences Limited Earnings Conference Call for the 1st Quarter and Financial Year '24-'25.

Today, we have with us Mr. Pranav Choksi – CEO and Whole-Time Director; Mr. Devkinandan Roonghta – CFO; and Mr. Avik Das from Investor Relations Team to give the "Highlights" of the "Business and Financial Performance" of the Company and to take questions if any.

Today, we have released our "Financial Results" and "Investor Presentation" which are also posted on our website. We hope you all had the opportunity to go through it.

Before we begin, I would like to say that some of the statement that will be made in today's discussion may be forward-looking in nature. It is subject to unfortunate risks and uncertainties, and the actual results could materially differ. The Company undertakes no responsibility to update or revise any forward-looking statement whether as a result of new information or future events or otherwise.

We will now begin the call with the "Opening Remarks" from Mr. Avik, followed by a "Financial Overview" from Mr. Roonghta. Thereafter, we will have the forum open for the interactive Q&A sessions.

Over to you, Avik. Thank you.

Avik Das: Thank you, Ami. And thank you for joining us today for our Conference Call. I am pleased to welcome all the investors and our well-wishers. So, I will just quickly give you all the highlights of all that's happening in Q1 within all our divisions.

Starting with the Indore CAPEX:

This is one of the most transformative developments this quarter for Gufic, and this project represents a monumental step for us to scale up our operations and meet the growing demand

for our products. I am pleased to report that we have successfully completed the validations of three manufacturing lines at the Indore facility. These validations are critical to ensure that our production processes adhere to the highest standards of quality and efficiency.

And looking ahead, the remaining validations are on track for completion by the end of this month, with commercial production set to commence in September. This progression, following last quarter's trial runs and media fill validation studies ensure that our facility is well prepared to meet stringent regulatory and quality standards. And our Indore facility has also passed several key customer audits conducted by leading Indian and some global multinational corporates and our partners.

And this further gives us confidence of the robust compliance and operational standards that we have said, and we hope to adhere as we scale up. And as part of our expansion strategy and quickly going live with Indore, we have also commenced product site transfer from our Navsari facility to Indore. The confidence that some of our multinational customers are shown by initiating their own product site transfers to Indore also shows the strong capability that Gufic has and the possibilities of quickly ramping up Indore.

Returning to our Critical Care division:

We continue to fortify our leadership position in this space. This quarter, we significantly advanced our antimicrobial stewardship initiatives by engaging with leading healthcare professionals in over 150 scientific activities across India in one quarter. So, these sessions were vital in promoting the latest knowledge practices in combating antimicrobial resistance, which is one of the biggest silent pandemics which is unfolding.

We are also proud to announce the formation of a dedicated user group for Dalbavancin, which as you all know is a unique lifesaving antibiotic in treating complex infections. This initiative will serve as a platform for clinicians to share their experiences and for really effective utilization of this very novel and crucial drug. And in alignment with latest clinical guidelines, we are actively advocating for adoption of extended infusion protocols for meropenem, a very widely used antibiotic in India and driving better therapeutic outcomes.

And additionally, we have participated in EUROASIA where we showcased our comprehensive range of antimicrobials, reinforced our commitment to global healthcare advancements, and further solidified our presence in this space as a leading quality provider of niche antimicrobial drugs. The particular division has also seen continued growth in Q1 FY '25, and we have built on our efforts to address the recurrent implantation failure.

We have initiated CME programs nationwide for Guficin Alpha. The drug's acceptability is backed by robust patient data and its unique position as the only drug impacting all cytokine parameters involved in recurring implantation failure continues to drive its success. And as of

now, this is perhaps the only drug available in the Indian market that addresses all the cytokine parameters.

We remain focused on our development in ultra purified the HMG recombinant FSH with advanced purification techniques and recombinant DNA technology. The ongoing trials and pending approvals highlight dedication to providing best in class medicines in the ART space. We have also launched Dydro 20 mg and 30 mg sustained release tablets, marking our entry into the extended-release formulation for dydrogesterone. This innovative drug delivery system is expected to improve patient compliance and enhance treatment outcomes.

And a new task force, Fertimax, comprising of about 40 well-trained field personnel have been launched to boost field efficiency and drive deeper market penetration, especially with our couple of very unique product offerings in this division.

And coming to Aestherderm, the division continues to carve out a niche in the aesthetic dermatology market, particularly with flagship products, Stunnox. And this quarter we initiated the first ever clinical trial in India for botulinum toxin Type A with our brand Stunnox, focused on glabellar frown lines and forehead lines. This is a ground breaking study and aims to gather data specific to Indian patient pool. This will further help us enhance the confidence of practitioners and patients alike.

We have also launched a trial for Stunnox in the treatment of hyperhidrosis, expanding its therapeutic scope, and positioning Gufic as a versatile player in addressing a broader range of dermatological conditions. Our Advanced Aesthetic Program at Arisia Training Center in Mumbai has also seen an expansion. We have now trained up on 80 doctors within a quarter, and this program is instrumental in enhancing competencies and driving market growth for aesthetic treatment.

And now coming to Spark, Stellar & Healthcare division. We have seen growth even in this division. We have expanded our CME initiatives, discussing the practical benefits of oral solid manufacturing using Roller Compaction Technology, something that we use, and its impact on patient outcomes. And additionally, we have also launched a digital prescription tool which has helped streamline patient record management, and significantly improved clinical efficiency for the doctors. So, this becomes another point of partnership with Gufic in this space.

We have also made significant strides with a new product development, including the introduction of a cutting-edge potassium channel inhibitor in the proton pump inhibitor market. This is a huge market, as we know, it's almost a Rs. 3000 crores market. And this is a very novel product there.

And Gufispon for cervical spondylosis is another product that we have launched. Our targeted marketing strategies led to improved market rankings for our well-established products like

Stretch Nil, Sallaki, reinforcing our market presence in the Boswellia serrata neutraceutical space.

Now coming to Sparsh:

Sparsh remains at the forefront of innovation with its direct-to-hospital distribution model. This quarter we launched Tiecoplanin DCB, dual chamber Biapenem and dual chamber bag, and S Pantoprazole, designed to meet the growing demand for advanced therapeutics in these hospitals and nursing homes. And we are also very excited about the upcoming launch of Contrast Media in this division. And a strategic expansion into additional territories and planned growth of our team to 85 members will ensure that we have very comprehensive market coverage and support for all our hospital partners. And Sparsh's division's ability to offer a wide range of injectables and secure significant wallet share position works as a leader in direct hospital engagement.

And now on the international business front. The division, we received further new registrations, we received the registrations in Lithuania and Sri Lanka, further diversifying our global portfolio and giving us more entry into the European and Southeast Asian market. And as we speak, we have almost 200-plus registrations across 30-35 markets and we have more than 150 products in the pipeline where we are targeting almost 40 countries.

So, with that, I think I will hand over the call to Mr. Roonghta to give a quick update on the financial performance in the quarter that went by. Thank you.

Devkinandan Roonghta: Thank you, Avik. I am just going to highlight the “Financial Highlight” for Q1 of '24-'25 compared to Q1 of '23-'24 and Q4 of '23-'24.

The total revenue from the operation of Q1 of '24-'25 is Rs. 202.8 crores compared to Q1 of '24 it was Rs. 195 crores, and Q4 of '24 was Rs. 194.9 crores.

The EBITDA for Q1 of '24-'25 is Rs. 37 crores compared to Q1 of '23-'24 was Rs. 36.4 crores, and Q4 of '23-'24 was Rs. 35.11 crores.

The EBITDA margin for Q1 of '24-'25 is 18.2% compared to Q1 of '23-'24 was 18.6%, and Q4 of '23-'24 was 18%.

The profit before tax for Q1 of '24-'25 is Rs. 28.1 crores compared to Q1 of '23-'24 was Rs. 28.1 crores, and Q4 of '23-'24 was Rs. 27.1 crores. The PBT margin of '24-'25 for Q1 is 13.9% compared to Q1 of '23-'24 was 14.4% and Q4 of last year was 13.9%.

The profit after tax for Q1 of '24-'25 is Rs. 20.9 crores compared to Q1 of '23-'24 was Rs. 20.6 crore and Q4 of '23-'24 was Rs. 20 crores. The PAT margin for Q1 '24-'25 is 10.3% compared to Q1 of '23-'24 was 10.6% and Q4 of '23-'24 was 10.3%.

The results are almost flat because the capacity of Indore and Navsari has been fully utilized. Thank you.

Moderator: Should we begin with the Q&A session?

Ami Shah: Yes, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mishal from Systematix. Please go ahead.

Mishal Manchanda: Can you break up your sales between the various segments?

Devkinandan Roonghta: As per the SEBI guidelines. As per the Companies Act we are only in one segment that is we call as pharma Company. But I can tell you that around 50%, 55% is domestic sale, between 25%, 30% third party sales, remaining is export and API sale.

Mishal Manchanda: So, API should be around that 5%?

Devkinandan Roonghta: Around 5% to 7%.

Mishal Manchanda: And I could hear in your opening comments, a comment about the launch of a product called for Fertimax. Can you share some color on that launch?

Pranav Choksi: Hi, Mishal. Pranav here. So, Fertimax is basically a division, as you have seen, we already were in fertility and we have the original HCG, HMG, FSH. But the focus there was already they had more than 42 different SKUs to focus on. Now there are three new launches that is dydrogesterone 20/30, but more importantly Guficin Alpha, which Avik explained, which is for recurrent implantation failure.

At the same time, there's a trial happening on this product with the DCGI for endometriosis. And number three, we have a super purified or ultra purified HMG where we have ensured that in for poor responders when the egg quality is an issue, we have come up with a much more highly purified version which requires a separate task force.

So, Fertimax is basically a task force to focus on these products. Of course, the task force was trained in the month of June and the launch happened in June end, that's why it's part of the last quarter. The actual sales impact came from July, but that was the basically launch of Fertimax, which is a division to handle these three brands or these SKUs which are for dydrogesterone SR, Guficin, as well as Supergraf.

Mishal Manchanda: Sir, these have been reallocated from a different division to this division and you have not recruited new people. Is that the right way to look at it?

Pranav Choksi: Not exactly. So, I will tell you, it's a hybrid model. So, we already had around more than 108 people in the Ferticare division, where we took around 18, 20 people from there because there were some scientific driven people who could go and who also wanted an aspiration to become leaders there. And anyway, there were some headquarters where the ROI or the PCPM was low, so we have to shut down some, I would say, headquarters in Ferticare. Plus, we have recruited around 15, 20 people from the market. So, with the combination of 18 people to 20 people from the Ferticare, plus new recruits, that's how Fertimax has gone. Because we wanted the leadership and the aspiration of the people also should be taken care of, and hence this hybrid approach was taken.

Mishal Manchanda: So, would you be able to share what position Gufic would be in the infertility market? And how large is this market currently, the infertility market?

Pranav Choksi: I think the represented market where we have the existing products, because dydrogesterone itself is a Rs. 900 crores to Rs. 1,000 crores, maybe more than that. And then I talked about HCG, HMG, FSH, progesterone and others. I think the total market size would be around Rs. 4,000 cores to Rs. 4,500 crores, I can get back to you with the exact numbers as per OIG IQVIA. Out of that, we would be, I think, number four I would believe, because there's Merck, Intas, BSV, and then Gufic would be there in terms of the total sale. That's what knowledge is shared as per OIG IQVIA.

Mishal Manchanda: And with BSV being acquired by Mankind, do you think there's going to be more aggressive competition in this space going forward?

Pranav Choksi: Would be interesting to see that. Because in the past if you see, JB Chemicals also had acquired Uni-Sankyo product. And then JB had a different flavor to it. So, it will be a very interesting thing to see how Mankind, who has been till now in a different specialty, how do they handle the IVF. I am sure Mankind being a wonderful Company, they will definitely be aggressive. But it's a very different ball game as compared to the mass marketing in terms of prescription and cardiac diabetes and all that. It's more different, so let's see. I am as intrigued as you to see how they take it forward.

Mishal Manchanda: And you would have quite a bit of overlap in the portfolio, like what BSV offers and what you offer, there would be a significant overlap?

Pranav Choksi: Absolutely.

Mishal Manchanda: And just one final, I heard about another launch on a potassium channel inhibitor in the PPI market. I am not sure if I heard that correctly.

Pranav Choksi: Yes, you heard it correctly, potassium channel. So, it's a different technology of a molecule which works on a different mechanism as compared to the proton pump inhibitor like we have Pantoprazole, Omeprazole, Rabeprazole and others. It's a new launch. Again, the product was

launched in the month of, I believe the stocks came in June and I think July first week is when the billing happened. So, this is opening another market.

So, if you see an ortho as well as in gynaec, the safety and the tolerability and long-term use of antacid, let's put it that way, is important. So, even in orthos when we have anti-inflammatories and anti-analgesics, there is a side effect of gastric irritation. And normally PPIs are the main go-to drugs. Whereas we feel that the new launch, which has I think even got recently a USA FDA approval. And I think last year, or I think the beginning of this year they got US FDA approval. And in India also it got DCGI approval in the month of March, April. And this will be something very interesting which will definitely work on the landscape part of it. So, let's see how it all goes there.

Mishal Manchanda: So, this will be an alternative to PPI with promise of better efficacy or better tolerability or both?

Pranav Choksi: Tolerability I would say is better, efficacy of course right now the patient pool data what we have is mostly Western countries. Keeping the Indian DNA and the Indian diaspora, we will come to know. But yes, definitely as per published data it's a better tolerability. The efficacy is comparable, because I think Pantoprazole is quite a good gold standard, very frankly. But it's more about tolerability and long-term use. So, that mechanism is completely different than a proton pump inhibitor, by which the wear and tear is much lesser. That's what my medical experts tell me. But of course, time will tell me when we get more publications coming out.

Mishal Manchanda: Like there's an acute kidney injury risk that PPIs have been labelled for.

Pranav Choksi: But that's like in extreme cases. You are right, with very high term, long term use. So, yes, you are right, in that case is this will have some advantage. That's what I am saying, I am restricting myself because I am not a medical expert, even though I am educated by the medical team, but I would still wait for more publications before I can comment for sure.

Mishal Manchanda: And you are among the early entrants in this category.

Pranav Choksi: Yes, that is what is going to be making it. Like how we did it for dydro, we would like to be part of the early entrants in this also.

Moderator: Thank you. We have Bhavya Sonawala from Samaasa Capital. Please go ahead.

Bhavya Sonawala: Sir, just two questions. First question is again with regard to the Indore CAPEX. I just wanted to understand, does it usually take this much time in terms of media fills as well as validation batches? Or are we doing something different? Because I think last quarter we had estimated the sum of the revenues to start coming from July first week. So, just trying to understand, are we doing some other layer of audit or something different apart from how long it takes?

Pranav Choksi: Sure. So, I will explain. So, if you see, in Indore we have total four lines, line one and line two are lyophilization drugs, Line-3 is actually liquid vials, and line 4 is ampule machine. So, if you see, from December, January we had started marketing the products in terms of the capability to many companies, both in India and abroad also, especially keeping in mind the export market exposure. There we also had one ex-US FDA inspector come and audit us also in terms of giving her relevant thoughts that we could make the modification before the actual media fill happens.

So, depending on the product line, the media fill has to cover a matrix. Since it's the first media fill of the factory, different vial sizes and different products have to be considered. So, for example, every product which we go for, there has to be three runs which have to be in multiples and where there's a whole-time study. So, I will not bore you with the technical know-how. So, let's say today we are looking at in Phase-1, 58 different products to be started from Indore, where almost 26 products out of them will be a sort of a tech transfer and capacity expansion coming from Navsari.

So, when I talk about the basic 2 milliliter vials of Hyaluronidase or maybe like say vancomycin, I mean, till now the vancomycin which we did in Germany or UK, or other markets were mostly 500 milligram and one and 1 gram. But we are right now talking to clients who would like to also source 5 grams and 10 grams vials. So, I have to get a validation done of 2 milliliter, 5 milliliter, 10 milliliter vials, 20 milliliter vials, 50 milliliter vials and even 100 milliliter vials in the same setup. And that has to be replicated in three lines, line one, line two for lyophilization, and line three for liquid filling where we are planning to do Tirofiban, and we are going to do even paracetamol. So, out of these 58 molecules, whatever media fill needs to be done, we do it now.

Now, let's say we do not do it now. So, media fills have to be repeated every six months, just FYI. And based on that you have to do, when you first introduce a particular vial size, you have to introduce three different runs, and you have to monitor that 28 days. I mean, that is including the 14 days of sterility also. Now, if we try to do something after six months, again, this entire 28 days cycle come. So, the dilemma which we have in front of us is that once production starts, we cannot expect closure or disclosure happen where we will have pending orders. Already right now in Navsari we are facing serious issues in terms of backlog which we need to, I would say, just get them shifted to Indore very fast.

So, the intention of the Company was, take the inputs of the ex-US FDA inspector, plus we had audits done by three of our other international clients. Combine them up, include all the 58 different products, and then get a complete validation done. Just to share with you what Avik said, line four was already finished and we have started some runs. And this month, like I said, this month or September first week is when the production, I mean, the commercial production where the invoice will be raised from line four and line three. Line one and line two being lyophilization in the main heart of the machine, we have gone for a complete, like I said, from 2 milliliter to 10 milliliter batch size media fill validation which normally on an ideal basis it takes

around three to four months, even this is three to four months after finishing the other machine qualifications also, because again you have different diameter, different height size and different things.

So, yes, it was an option to do it now, or then after six months take a break of around one to two months which would not be advisable as per our internal calibration and our decision making. So, that's why it's taking long. But hopefully, I think, it is more I think frustrating for you and more for us here because we have backlog. You can see orders in front of you and you cannot cater to them. But at the same time, be very vigilant that take the right time, because then you cannot take a break after six months. So, let's hope in September we should start making around, at least our target is that we should start making 25 lakh vial of lyophilization in September, starting with another 10 lakh vials of liquid. So, that's our target from September.

Bhavya Sonawala: That makes sense. Just a follow-up, in your presentation it said that two manufacturing lines validation has been completed.

Pranav Choksi: Yes, line four and line three, yes.

Bhavya Sonawala: So, none of them are the lyophilization line. I think one is the PFS, right? And then the other one will be --

Pranav Choksi: No, no, one is ampule, and one is the liquid vial. PFS is what we have already at Navsari, we already are doing it. Line one and line two are the lyophilization which are ongoing which should be done by August and September first week. So, that is where the commercial production would start concurrently. So, right now what we expect is line three and line four is done.

Bhavya Sonawala: And you had mentioned something about starting with 56, I think, units right initially. So, can you just explain that, are we shifting some from Navsari to Indore?

Pranav Choksi: Yes, 58 different SKUs will be introduced into Indore. But out of that 2,627, I will give the exact number, will be shifted. So, I will give you an example. So, we are going to take 16 vials of Pantoprazole to start off with, to derisk, we will see how everything is going. And then the next product will be Tiecoplanin and then Tigecycline. So, these are those 20-plus-odd products which are already having capacity constraints in Navsari which will be shifted here, plus addition of 30-odd products which will be brand new entrants for Gufic as a whole in terms of manufacturing also. So, that is how the plan is.

Bhavya Sonawala: Just a last question, you told me that in I think December, January marketing all the products that you are going to kind of manufacture in Indore. So, what kind of initial remarks have we got from our clients? And probably after their audits, can you give some light on that?

Pranav Choksi: So, very frankly what we did, we approached the problem in a different way. We went to OIG IQVIA earlier in October and November last year. And these are not only for India, but we went

into certain 42, 43 different countries which we feel of focus are there with us. We shortlisted these 58 products because of the market size and what is the capability of the factory. Then we went and approached different clients who are right now the leaders, or at least in the top five, top ten of those OIG IQVIA for these 58 molecules.

And after that, we filtered, filtered and came up with partners who actually take care of at least two products, three products. So, there's one client who is ready to trigger the US FDA inspection with two molecules of them from Lyo. Then someone else is coming with us for 100 milliliter liquid formulation. And ampule, again I am saying, it's only focused for the European market where it goes as a diluent. Otherwise line one, line two, line three will be the main focus of US because of the capacity. And that is what the efforts came in. And then the DCAT was attended in March. And then finally we have some contracts which we are getting into, because after media fill their team will come for the final audit, and then they will start validation batches from October till March onwards.

So, October till March we have planned, at least for the US markers, at least four different filings via our clients. Most of them are tech transfers now, because right now, as I clearly said, initially or even otherwise, we do not want to be an ANDA applicator on our own. We will be looking to working with our clients and new partners to get these products in. And side by side, we already are targeting EU approval by the end of the year. There are lot of our capacity problems which are there for Germany, UK, Portugal and now very soon even the other countries like Spain and France will be then catered to from the same Indore setup. So, that is the plan, and the results are positive. But it's only, like I said, it's more frustrating that once the ball starts rolling the production starts, then automatic more people get attracted when the delivery starts coming out. So, that's what we are targeting.

Moderator: Thank you. The next question is from the line of Vishal Mehta from Wellcardian. Please go ahead.

Vishal Mehta: Pranav, just had one question. Once the capacity from the Indore plant comes onstream, what will be the total revenue potential for Gufic as an entity? And if you can just highlight how will we get there, I mean, in terms of utilization year one, year two, year three? That would be great.

Pranav Choksi: So, if you see, Indore is around one and a half times to what Navsari is. I am not counting the penem capacity and the botulinum toxin capacity, just a like-to-like comparison of lyophilization, liquid vials and ampules, it's one and a half times. Of course, the ampule and liquid much more, but I am looking at lyophilization is one and a half times. Right now what we are struggling in Navsari that because of the contracts and because of thing if you do a Pantoprazole we cannot do a Teicoplanin or Tigecycline or Caspofungin where the top line of the Pantoprazole would be around Rs. 30, Rs. 40, vis-a-vis a Caspo would be around Rs. 1,500, Lipo Ampho would be around more than $40, $50.

So, the issue is, the capacity with the peak of Rs. 700 crores at Navsari can go to a maximum, again, because of the product mix to around Rs. 1,200 crores to Rs. 1,500 crores, depending on the product mix from the Indore itself with the existing capacity what we have installed, not counting the other lines which are coming in the future. But this is what the thing. We hope that by full running year will come in '25-'26 is where we expect that we should reach at least 30% to 35%, internal our targets is 40%, but I think 30%, 35%. Then it would go to around 60% in the year after, and then hopefully at the end of, so I am saying '27-'28 we should add full capacity. Yes, '27-'28 would be almost close to full capacity.

Vishal Mehta: So, that will take our total sales potential to almost about Rs. 2,000 crores, Rs. 2,200 crores?

Pranav Choksi: I would say, Rs. 1,500 crores is what we tell everyone is what we are target in the next three to four years, I mean, let's say around four to five years maximum.

Vishal Mehta: And this would be at a better margin, right, like when we get there it will be higher margin business?

Pranav Choksi: Yes, would be. If you have already seen the last three quarters also, because of the challenge we are facing in our capacity we are trying to do more profitable business and trying to get out of little bit things, because anyway capacities are against us for the time being. So, definitely profitability would be part of it, especially where the export markets and the jobworks and the US and Europe business would come into play. Domestically, again, the scale would help us, also as we have mentioned, Sparsh has already started kicking in. So, Sparsh also a little bit products. I would not say a little bit, I think a decent amount of products from Indore would help Sparsh, till we replace them international markets. So, yes, profit margin expansion is the way to go from Indore.

At the same time, what we have done, from Navsari let's say what was the total cost required to make a particular vial, in Indore even after doing the Rs. 300 crores plus CAPEX, we have tried to keep the running cost and the maintenance cost to be either same as Navsari or a little bit less. So, that would be the target. So, an all of the automation, a lot of technology equipments have been kept in with the entire factory.

I will give you two, three examples, just to give you a nutshell. So, the cost of water in Navsari would be a little bit higher than Indore because Indore has only WFI, it has water for injection which has better efficiency and running cost. The packing in Navsari where we had 100,000 vials were packed by 150 people, wherein Indore only 16 to 17 people would be required to pack 100,000 vials. So, again, all this would add up in the margin expansion, which answers your question. So, it's not about efficiency, it's about scale, it's also about running cost, which helps us eventually to take care of it.

Vishal Mehta: Great. So, if I can just squeeze in one more question, what is our debt currently and where do you think that will peak? And how do you see that panning out over the next couple of years?

Pranav Choksi: I think, Roonghta sir, I will hand it over to him. But I think peak is already there, but still, he will give his comments.

Devkinandan Roonghta: Typically, we are having two types of loan. One is term loan of Rs. 160 crores we have taken from the Indore property, out of Rs. 160 crores around Rs. 5 crores has been repaid and around Rs. 15 crores term loan is outstanding for our Panama plant and Arisia plant, that is between Rs. 170 crores, Rs. 175 crores is the term loan, and we are having a sanction of around Rs. 150 crores of cash-credit limit. Out of which I can say around 80%, 85% has been utilized, so total loan will be around Rs. 175 crores, plus Rs. 120 crores, it will be between Rs. 295 crores to Rs. 300 crores. This will be the peak loan. I do not think there will be any further requirement of any additional loans.

Vishal Mehta: And in terms of deleveraging, how do we look at that over the next couple of years?

Devkinandan Roonghta: I think for one year there will be challenges because Indore is coming up for additional requirement of working capital for the stock and the collection debtors. There will be need of additional working capital which we are planning to be generated from the existing cash flow. So, we will not decide to take additional borrowing for the Indore plant. And from next year onwards, for '25-'26 I think the cash generation we will be able to utilize around Rs. 75 crores, Rs. 80 crores to repayment the loan, and it will be repaid in three to four years.

Moderator: Thank you. The next question is from the line of Bhavya Sonawala from Samaasa Capital. Please go ahead.

Bhavya Sonawala: Thank you for the follow-up. Just another two questions. Sorry for my ignorance, but when you say that there is a backlog in Navsari, do these clients have enough stock until Indore comes online or how does it work?

Pranav Choksi: So, what we have done, very frankly, Bhavya, if you see in the March our debtors had taken a rise because of Sparsh and critically where the hospitals were a little bit of a concern for us, which we have little bit taken on a serious note on April to June. So, I mean, just using the example of capacity and generally we could not fulfill that, we have taken the option to take care of those, I would say, orders which are a little bit more forthcoming and futuristic. Certain discipline in terms of debtors where we already have seen improvement in these three months, and when we come up with the September numbers you will see the changes in the debtors also.

That is something which we are using to maybe take care of, I mean, postpone or not take care of certain orders in the domestic Critical Care space, which otherwise would have added Rs. 15 crores, Rs. 20 crores more on our top line. So, that is where we are managing, because exports are something which are very water tight contracts we cannot get out of. Like for example, I will tell you, in the month of May and June we had some PPI orders which we needed for Europe, which we cannot go through. Now instead of that, if I did take care of Teicoplanin for UK, I would have got a better top line. So, instead of a Rs. 30, Rs. 40 we would have got a Rs. 300,

Rs. 400 top line in the same capacity going forward. So, such things for the time being we are pushing a little bit to this quarter, certain times Sparsh and critical orders are getting pushed ahead because anyways that financial discipline is coming in in terms of certain hospitals. So, that is how we are managing. Of course, with Indore coming in, we hope that that will be relaxed a little bit. Not at the cost of debtors but.

Bhavya Sonawala: But then is it possible that you kind of lose business because you are either pushing it or kind of you are choosing between orders you have, so does that pose a risk in future?

Pranav Choksi: Frankly, it's a very thin red line. And that is why the CFO, and our team is being very prudent and restricting and, I would say, guiding our team properly. Getting the business, the margin vis-a-vis the debtors days are more crucial for us right now, because we foresee enough scope in the international market in spite of this also. So, there has to be some place where we draw the line that beyond one 120, 150 days if a hospital is not ready to pay, then it's difficult for us to sustain. So, yes, we would be losing those businesses, and I would definitely not deny that. But I think it's better in the long term. There will be other opportunities which will come up which will scale us through. So, I do not foresee anything as of now.

Bhavya Sonawala: Just the last question, in the whole process of auditing Indore facility, is validation the last step involved?

Pranav Choksi: Yes, media fill validation is the last step. Then you wait for 14 days for the results to come. And then you start commercial production.

Bhavya Sonawala: And then when we would like to kind of get more export market, more kind of countries get approval, so does that happen once the capacity is up and running or is there some.

Pranav Choksi: No. So, unfortunately in pharma, the gestation time is a little bit longer. So, the moment the commercial productions will be happening, like for US if we take any batches, we have to store the batches till the actual inspection happens. In Europe, whenever you take a batch let's say of 100 vials, I am just giving an example, 30 vials which are required for validation will have to be kept or 40 vials, depending on the batch size. The remaining 60 vials you can liquidate in the Indian market or somewhere. For any country when you have to enter, you have to have a tech transfer done from Navsari or maybe a dossier made from Indore. Then the dossier is submitted. First of all, the plant has to be approved by that country. So, that's why the strategy to get EU inspection done by the end of the year will help us, because once the EU approval is done, most of the countries open out in the world except for US and Japan.

Now with the EU approval in place, at least we can start filling dossiers from November, December. I wouldn't say November, I think if the production starts in September then around December, where January with three months stability data, we start filing with the dossier. So, let's say 2025 we start filing dossier, the approval starts coming in from next year. The advantages of having an existing business in Navsari helps us to do the tech transfer much faster.

So, that is the thing which we are harping on. So, certain products which are already being made in Navsari, but capacity constraints are there, those, once the EU approval happens by the end of the year or early 2025, we can start seeing that business being amplified and transferred to Indore. So, domestic will be the space for the first three to five months or six months, then tech transfer business will start kicking in from the next five to 12 months and so on. And then the new approvals and the new registration will start coming in after one and a half year to two years. Like, US we are looking at doing all the hard work in 2024-2025, and hopefully for the 2026 mid or end commercialization.

Bhavya Sonawala: Do we have an active ESOP plan right now? Because I think a couple of quarters back we had kind of --

Pranav Choksi: Yes, I think it's already in place. I think I would like Ami to answer that, because I believe we already have announced for certain type of management, like the head of Indore and the head of certain marketing team. Ami, can you comment?

Ami Shah: Yes, sir. So, in the last meeting held in the month of June, we have granted ESOP to six of our employees, and they have accepted it. So, we are waiting for the vesting period to get over, post which we would initiate the process.

Moderator: Thank you. The next question is from the line of Nikhil Chandak from JM Financial Family Office. Please go ahead.

Nikhil Chandak: I just wanted one clarification on the answer you gave on the financials. So, I think you mentioned Rs. 1,500 crores of top line. I am just trying to understand, the annual top line says roughly Rs. 800 crores at this point of time, and if the new capacity is one and a half times the existing capacity with the higher margin, then shouldn't the numbers be much higher? Or this is like a conservative estimate of Rs. 1,500 crores top line?

Pranav Choksi: So, I will tell you, Nikhil. So, the issue is, why we are giving, you can say, conservative or pragmatic for worse-cum-worse numbers or whatever we say, is because like I was explaining earlier question, depending on the country where we get the dossier, the permissions what we get, the markets what we get, the product mix is from a Rs. 30, Rs. 40 item to a like, let's say, a Rs. 3,000 item also. So, depending on there's always be 40% to 50% of our capacity which will be taken by these volume products which are say like a Vancomycin or a Pantoprazole, or for that matter any one XYZ. I am just naming two. Then you have the high-end products like antifungals and then antibiotics, like Dalbavancin, Amphotericin B, Liposomal, or even right now we are trying to work in our liquid injections also for Aripiprazole expansion or Depot injection with Aripiprazole.

So, the product mix is very crucial. And depending the orders and the countries, of course, we try to aspire, and we say that the total recognized market is around Rs. 2,000 crores to Rs. 2,200 crores will always be on a perimeter. Let's say we get only Vancomycin and Pantoprazole; we

miss out on that. So, even though there will be a margin expansion happening on either, the margin expansion of Pantoprazole is lesser than as compared to Amphotericin B or a Dalbavancin or Aripiprazole. So, that's why when we put our neck on the line, we try to give you the most achievable thing rather than saying what is not there. Of course, our efforts will be to do much more because of the product mix and come up with new avenues. What we have invested in last year on lot of R&D projects on dossiers and for things, which are anyway getting us ready for the next three to five years.

Nikhil Chandak: So, just to understand, for fiscal '26, just ballparkish kind of a number, is Rs. 800 crores from the current operations and say roughly Rs. 700 crores from the Indore new facility, is that the way you are looking at it?

Pranav Choksi: No, no, sir. Like I said, for us, I mentioned, the capacity will be 25% to 30% or let's say 30%, 35% on year one, that is '25-'26. And there 30% of that amount is what we are seeing on a high, because there will be a massive expansion happening from here also. So, I would say Rs. 1,500 crores in two years or one and a half year, let's put it that way, what you expect might not be possible because that's too ambitious because when we have an export market, the gestation period is very high. So, I would suggest from '28 onwards, I am saying on a '27-'28 onwards is where we should target, which is much more. And then you will see the bigger number jumps coming after that because of the product mix going forward.

Nikhil Chandak: So, roughly say Rs. 1,500 crores total Company top line by '27-'28 is what you are expecting based on the gradual ramp up?

Pranav Choksi: Yes. Roonghta sir, is that right? Would you like to comment something?

Devkinandan Roonghta: Yes, '27-'28 we can expect or maximum there will be delay around six months.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Ms. Ami Shah for closing comments.

Ami Shah: Thank you very much. I appreciate all of you joining us today. And if any of the questions remain unanswered, you can get back to our Investor Relations team and we will be happy to take those separately. With that, we conclude today's call. Take care. Thank you.

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