“Gufic Biosciences Limited Q1 FY'24 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of Gufic Biosciences Limited.

This Conference Call may contain forward-looking statements about the Company which are based on beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and anyone who wishes to ask a question may enter star and one on their touchtone telephone. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ami Shah – Company Secretary and Compliance Officer of the Company. Thank you. And over to you, Ami Shah.

Ami Shah: Thank you, Melissa. Good afternoon and a very warm welcome to everyone present on the call. Along with me, I have Mr. Pranav Choksi -- CEO and Executive Director; Mr. Devkinandan Roonghta -- CFO; and SGA, our Investor Relations Advisor.

We have uploaded our "Results" and "Investor Presentation for Q1 24" on the stock exchange website and on the Company's website. Hope everyone had a chance to go through the same.

Now, let me begin with an overview of the business for the first quarter.

Starting with the Indore facility, we are pleased to inform you that the validation of this facility is on track for completion by September 2023 and commercial production is all set to begin in October, 2023.

Coming to the Criticare division, we were able to retain our leadership position in the lyophilized injectables within the antifungal and antibacterial segments. Our broad-based portfolio is making a strong comeback, witnessing growth across key molecules. This resurgence follows several quarters of subdued performance, largely attributed to post-COVID inventory buildup. Our Sparsh division's molecules have undergone a comprehensive market mapping encompassing around 8,000 plus hospitals across India. We have established presence in 6,000 plus hospitals with the 92 molecules that were launched.

We are also happy to announce that Gufic has secured DCGI approval for the manufacturing and marketing of Dalbavancin and we are the first Company to receive such approval in India. Trial for sepsis involving Immunocin Alpha have completed successfully and we anticipate the DGCI approval by Q3 of this year.

On the Ferticare business front, the introduction of an enhancing human menopausal gonadotropin marks a significant step in boosting the success rates of IVF cycles. This advanced formula aims to reduce the chances of cycle failure.

Gufic's strategic investment in developing recombinant alternatives to critical hormone used in infertility treatment positions us to be self-reliant. The development work for these alternatives is well underway and we anticipate product-readiness within 15 to 16 months.

Thymosin Alpha-1 trial targeting Endometriosis treatment has been successfully completed, marking a significant achievement in our commitment to tackling complex reproductive health challenges.

Coming to the healthcare, Stellar and Spark division, the successful launch of a new zinc-based multivitamin has been warmly received in the market. This strategic addition has expanded our portfolio and bolstered our presence in the mass market division.

Also, our brands, Gufican and Gufibis are making steady strides, gaining traction in their respective niche categories. As these categories evolves, we anticipate these brands to experience substantial growth.

Coming to the Aestherderm and Neurocare division, our successful completion of a split face trial comparing Stunnox against the product from the market leader has yielded remarkable results. This achievement has not only created awareness but also instilled confidence in our offerings with the applicatior fraternity. We intend to leverage the insightful findings from this study to drive further awareness and accelerate market development efforts.

The inauguration of a training center, Arisia in Mumbai has marked a significant milestone. This center facilitates training on innovative therapies that combine cutting edge machines with the utilization of fillers and Botulinum Toxin for face and body contouring. This strategic initiative not only cultivates awareness about Stunnox but also curates our specialized applicator-base carving a niche segment for our products.

To effectively tap in the neurology segment, we have assembled a specialized team boasting extensive domain knowledge. This team is equipped with the necessary skills and connections to strategically target this critical segment, ensuring a focus approach and meaningful impact.

Lastly, on the international business plan, we have received one new product approval from Colombia and two new product approvals in Philippines. Our strategy from Europe and Latin America centers on leveraging our existing formulations in countries where we have established a presence. Simultaneously, we are also targeting new countries based on market gaps and opportunities ensuring a comprehensive approach to expansion.

With this, I'll now hand over the call to our CFO, Mr. Roonghta for the update on Q1 FY24 Results and Financials. Thank you.

Devkinandan Roonghta: Thank you. I am going to highlight the financial results of Q1 of '23-24 versus Q1 of '22-23.

Total revenue from the operation for current Q1 is 195 crores, whereas the previous year it was 165 crores. EBITDA is Rs.36.4 crores for Q1 of the current year versus Rs.33.6 crores even of the last year. EBITDA margin for the current Q1 is 18.6%, last year it was 20.3%. Profit after tax for the current year is 20.6crores, last year it was 21.1 crores. The PAT margin is 10.6% compared to 12.6%. This has been reduced because of the increase in the finance cost, also the own contribution has been gone for the Indore CAPEX plant.

Moderator: We will now begin with a question-and-answer session. We have the first question from the line of Pujan Shah from Congruence Advisors. Please go ahead.

Pujan Shah: My first question would be on the launch of Dalbavancin. So, could you just spell out the market sizing and how we are figuring out because we are the first Company to get the approval. So, how we are looking into it and what are the like assumptions built on to the revenue and profitability for this specific?

Pranav Choksi: So, Pranav here. Dalbavancin actually is basically a gram-positive antibiotic. So, when we consider the current market size in terms of the market represented, we have to consider the current available option. So, the current available options would be a combination of Linezolid, Vancomycin and Teicoplanin, which totally comprised to a market of approximately 500-600 crores as per the ORG IMS. But if you see till now in India, most of the infections were gram-negative and then we saw survey of mixed infections coming in. So, we foresee that gram-positive because of the onset of mixed infection, which is a combination of gram-positive and gram-negative here to stay and that's why this will be a very unique tool in people in addressing this thing. Now, if you understand Dalbavancin, the main advantage it has,is that it is to be used on the first day and then directly on the eighth day. So, unlike other injections where everything has to be used on a daily thing. First, I'll tell you the good points, and then I'll tell you the negatives also of Dalbavancin which will help you maybe understand a little bit more about the insight and then that's when I'll come to the projection. So, Dalbavancin advantages are it has to be used on the first day and the eight day. So, the ease of compliance is there for the patient. However, this is very good for patients which are normally going for any single day operation or any single therapy and they have to be discharged in three to four days. So, something like a knee replacement or some any soft tissue infections where the patient is hardly to be hospitalized for three to four days, this is a very effective tool where the doctor can be rest assured that the patient is protected against any infection due to the surgery for a longer time, even though he or she is not going to be in the hospital. So, the advantage of the ease of use, it's a much more stronger antibiotic. It is also the advantage in the resistance to be formed against this molecule as of now, what data is available is much lesser than others. Now, the negative part is that the

pricing of course, because this is a new molecule, it comes with a premium. So, the cost is much higher; the cost of therapy of this product is almost as of now around 2, 2.5x what we have done. This is also comparing Teicoplanin. The reason we have done 2.5x because still if you compare this with the international market, this is still one-fifth the price of international product. However, in India, when you see, since always medicines are available in a much more economical manner, still it would be 2-2.5x. So, we foresee that initially for the first one year, two years, this will be the drug of reserve for intensivist. However, for ortho surgeries or cardiac surgeries especially in endocardiac test, this can be the first drug of choice when other molecules are going to give a resistance. So, keeping all these factors in mind, the price balance along with the advantage what it has of the molecule has, we foresee that it should start with maybe anything around 3% to 5% market share in year-one. Gradually we foresee that in the next three to five years, as the pricing becomes better, as we also introduce much more efficiency in terms of our production and efficiency in terms of our scale of operation, we foresee eventually maybe 30% market share in the next three to five years and I hope down the line, because of the ease of using it maybe once in a week… used only twice on the first day and the eight day, it is going to be a very good tool. So, I hope that in the next 5-7 years once other resistance comes up and safety is established more, this should be a big chunk of the total gram-positive market. One more reason Gufic has actually worked on this molecule is because internationally, gram-positive infections are much bigger in Western countries and since this molecule has already been approved by us for India, we will launch India of course first, but eventually our target is to take care from Indore to the countries in Europe, US, Canada and South Africa where gram-positive infections are much more. So, I see a much bigger traction happening initially for these markets first and eventually India should catch up in the next three to five years.

Pujan Shah: Sir, that was a quite detailed answer, but just wanted to follow up on that, if you wanted to get on the export side, so do we need any registrations or approvals -?

Pranav Choksi: It'll take us two years at least, because we'll have to take the batches stability and then in some countries we might require to do some small trial also where it's not introduced.

Pujan Shah: My second question would be on the Dual Chamber Bags. Sorry, if I haven't read the detailed presentation what you have presented, but just wanted to know what is the update about the Dual Chamber Bags and how it's going on and how we are planning for that?

Pranav Choksi: So Dual Chamber Bags as I mentioned in the last call also was launched keeping in mind MeroPenem andPiperazine, but unfortunately, we got only a 15% approval from the NPCA in terms of price increase. So, for our Piperazine Tazobactam, we could not launch it. Eventually, we decided to launch only MeroPenem and Sulbactam. I think as we speak it should be entering the market space right now and it should be launched along with the teicoplanin molecule also in the month of September. So, this quarter that is Q2 we'll see the launch of Dual Chamber Bags in India by Gufic.

Moderator: We have the next question from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal: I have a couple of questions for Pranav. Sir, first, given that a large expansion is coming up and it's almost near completion, so how do you plan to utilize it going forward, given that we are already one of the largest lyophilize player, how will such a large cap CAPEX that we have done to get utilized, some thoughts on the utilization part, one? Second, as we start doing more of a work in our own brand name, how do you see the conflict as a contract manufacturer to the larger companies?

Pranav Choksi: Yes, Mr. Mittal, so I'll answer your first question that, yes, so currently our immediate plans from Indore would be to take care of the domestic market, both purely from our front end as well as contract manufacturing for some of our current clients as well as of course new clients, which are coming up… I mean, we already have started targeting them. So, what we have done, we have identified around 323 molecules which can be made in this particular facility and all this is based on the ORG IMS and the business analytics and then we have seen who are the top 10 to 15 players of that and what is their current source of I would say the products. If via scale and via automation and also with the new ruling of QR code and track and trace and traceability part of it, these are the USPs which we as a Company would start offering to our existing clients here. Because, let me be very clear that at least for the first year, the capacity utilization would be from India primarily because first, you would have to apply for a WHO, then followed by an EU and US and so on and which normally takes post commercialization, at least 1, 1.5-years at least to get that done. Side-by-side, on an average it would be 20% capacity on the 12 months usage, but otherwise, initially 30% to 40% of the capacity would be used initially to come up with validation batches and this would be required for creating dossiers and documents to be filed for international markets. So that would be another capacity utilization, which of course would come at a cost to the Company, but eventually they would be showing the seeds for much better expansion and also price realization because as you know, India would be a year one, but as and when those same products are taken to the international markets, the margin would be much better and also the pricing and the advantage also would come and we would be realizing that. Front end would be a thing. As I've mentioned before, Sparsh is one way where the front end would be increased, even for that matter, Gufic critical care has come back with the bang now. So, I foresee that with other exports coming in now, navsari facility would be mostly chock-a-block with capacity by 2024 end. I'm saying on a pessimistic way, optimistic way it might be chock-a-block by around June 2024 because we already are now seeing orders which are till October and November. So, we foresee that Indore will help in a very big way to not only derisk our operations but also to take care of the excess capacity from now Navsari to Indore, which will of course be primarily in year one for India and then the other markets from year two depending on the accreditation. Answering your second question, would it be an issue? I don't think so, because in India that's the beauty, the pharmaceutical market right now is around Rs.2,10,000 crores. Again, I don't want to quote anything, but if you see all the different business at analytics or even the reviews of what we get for the India market and the projections what we

get, in the next nine years to 10 years we see the Indian pharma market going to be anything between 7 lakh crores to 9 lakh crores. So, in 76 years it has been 2,10,000 crores and now coming to 7 lakh crores to 9 lakh crores market in the next decade, let's assume. We are looking at almost a three to four times increase in market size itself. So, I am looking at that as a worse-cum-worse condition that international markets go for a toss, the Indian market is there to back us up and that's why the investment also done in the facility has been very unique. Even though having such a huge capacity of 2 crores ampules,1 crores vial and 50 lakhs lyophilize vialsper month, we still have been able to balance the investment where others normally take the same investment would be around anything between 800 to 900 or 1,000 crores as such, for such a capacity. We have managed, then balance using expertise to make it quite a compact offering and we hope we can take it forward. So specific answering, contract manufacturing and the thing about front end, because the market is going to expand so much, everyone have their own unique channels and they have their own unique set of clients. And also, if you see the market itself also is more than happy to accommodate multiple players. So, all the hospitals and the nursing homes also derisk themselves, they don't completely buy everything from Gufic, even if they have a 50% to 60% Gufic share in terms of their pie, they always keep any two or three other clients always there to derisk that. That that's why I always feel that the business of contract manufacturing and I would say our own branded business will go hand-in-hand because we have some unique propositions as a Company which always the client would desire, the Dalbavancin being such an example, and some products coming in the future. And we also always have been very fair with our clients, whatever the pricing, the MRP and the entire plan is very transparent where it's a win-win for both of us. So, I don't foresee any conflict as such, but yes, it can be challenging, but there's always a solution for that.

Ayush Mittal: So, we have been talking about ramping up our exports in a significant manner, but we don't see it in the numbers still. Any thoughts on that?

Pranav Choksi: So that's what I'm saying. So, if you see the most of our capacity is still mostly utilized in Southeast Asian markets and Germany and followed by India, so whatever benefits we are getting in numbers should start. So, you know the Brazil or Canada market always starts with a particular gestation, even Russia for that has started with the gestation. So even if you see this time numbers of the major growth apart from Sparsh has been critical care and exports, whereas the business-like contract manufacturing a little bit again suffered a further dip... again, not because of lack of order, but would be lack of capacity which we are trying to divert to our own production and our own front end. So, with Indore coming in, we feel that little bit of that solution should come up. So, the moment Indore comes, a little bit of our domestic business should be shifted there eventually and that would free up a little bit more of our export capacity which should take care of it. We foresee like I said, 15%, 20% growth year-over-year would be taken care of by these two things and that is where export would play a big role.

Ayush Mittal: My last question is more around the statement you just now said that the CAPEX that we have done, somebody else would have similar size, the cost would have been maybe 800-900 crores, while we have done it at a very, very reasonable value. So, any references for this number like how can we -?

Pranav Choksi: Please don't draw me to references, but, yes, you can always have market information and there was a deal which happened last year where the capacity was 1/3 of us, but it was sold at almost two times our investment, just an example of that, and also it depends on the selection of the machine, it depends on the selection of the civil plan, the compactness, the packing line and end-to-end. So, the point what I was trying to make is, tomorrow the survival in this plant of export and domestic market is pure by say of the running cost and the capital investment which we put in, the capital investment has to be amortized on the next three to five years and the running cost also has to be managed. So, what I meant to say that since we have been in the field for of lyophilization injectable since the last I think 30-40 years that even before I was born, so we have certain expertise to handle that on a much more efficient manner because of our core competency, nothing else in pure utility. And that is what I feel that tomorrow it's no use buying the best of machines ramp down, I'm talking about everything from Europe or something and putting a big investment when you know that eventually the per vialcost is something which is going to help you penetrate the market. And in that in context I have mentioned that the investment has been a little bit I would say balanced in terms of achieving our objectives, entering the right regulated markets, at the same time taking care of running costs by having maximize automation and minimum other overheads which might be redundant, that's what I meant, yes.

Moderator: We have the next question from the line of Akshada Deo from Vivog Commercial Limited. Please go ahead.

Akshada Deo: I wanted to know what was the capacity utilization for Navsari plant for this quarter.

Pranav Choksi: Ma'am, we would be pushing right now anything around 80%. There is a reason also being 80% because there are other preventive maintenance and media fill and other activity which happen for validation and dossier also. For commercial utilization, it will be around 80% which we are almost on the brink to pushing and that is quite on the brink. So, that is the current capacity utilization. One more reason why I mentioned there are a lot of products which we have registered. This is regarding to the lyophilize one. Of course, we also have a Penem block there. In Navsari, where the utilization is approximately 35% as of now.

Akshada Deo: I wanted to know what was the mix of exports this quarter.

Pranav Choksi: I don't know the exact rupee value, but on an average as we see, we get these reviews on a moving MAT level. It's always around some 15% to 20% of our revenue.

Akshada Deo: I just wanted to know the reason for the dip in margins this quarter. I did see that critical care section had more volumes. Was that the only reason?

Pranav Choksi: Again, I think Roonghta will be in a better position to answer that, but I don't foresee any change in gross margin.

Devkinandan Roonghta: Basically, if you see the GC, has been maintained at 51% itself. The margin has been reduced because of the increasing otheroverheads. Other overheadslast quarter it was Rs.33 crores, this quarter it has increased from 33 crores to 39 crores, there has been increasing around Rs.6 crores mainly because of the R&D expenses, validation batches as well as filing of dossiers. Because of the Indore capacity also, R&D cost has been increased, and that was the reason for the dip in the EBITDA margin.

Akshada Deo: Can you just give me the exact spend on R&D this quarter and what is the plan for the rest of the year.

Pranav Choksi: Just to elaborate, I'll just clarify what sir meant because it's more of a combination of R&D and testing. So, every R&D is basically done for the product once. Then once the product is developed, then when we have to take the product on to the international markets, I'll give you an example of Liposomal Amphotericin B was already launched in India. Now, in order to take a product to Brazil, in order to take a product to Germany or any other market, we have to take the R&D stance, which is the innovators product, and then we have to compare that product with our product in the form of a laboratory where we have to do at least six to seven different tests which cost us only Rs.1 crore per product. So normally if it was just Europe, then that same tests can suffice to all the countries in Europe, plus South Africa, Canada, Russia and so on and so forth. Normally, for a country in Brazil, the product itself has to be purchased from Brazil, it has to be sold locally in Brazil, and then it has to be compared. So, this is one example I'm saying. So, like that in this quarter, we have done certain tests for Liposomal Amphotericin B plus I think Ami mentioned inopening statements, launch of two products, one product that is for infertility where we are doing a head on trial work versus Menopur of pairing, and the second product would be there for Endometriosis, so is where the clinical trial comes. So that again would be an addition. Like that, I'm just giving two, three examples, but such things which we have taken a little bit more on I would say focus has increased on cost from the other expenses. Otherwise, if you see the running cost for the employee cost or the gross margins are similar, but we have an opportunity which we feel that right now I believe that the issue of some supply of Menopur in India. So, there's a big opportunity for us which is a total Rs.220 crores market, where out of that Menopuris almost 15%, 20% market share. It's a good time for us to hit the market provided that we do a proper 200 patient study and prove that our product is as effective and give the deliverables what a product made in Europe would do. So, that's why some expenses have done. Answering your question about how this would look, so we always have a plan of increasing the R&D because as I mentioned before, we are doing a lot of trials on our biological platform of vaccines also and also for our topical land in terms of our other Botulinum Toxin

drug delivery systems. So, I foresee that this increase in expense on the trials… and when, I mean trials, clinical trials, both human and animal trials as well as certain dossier related to lab test would continue for the next year also.

Akshada Deo: I would just like to know if you have planned any number-specific and what was the number for this quarter?

Pranav Choksi: I think I can get back to you on the number, but Roonghta sir, do you have any specific number, it would be around 8 to 9 crores per quarter normally we spend?

Devkinandan Roonghta: I will have to get back the numbers.

Pranav Choksi: We will get back to you, ma'am. I think if you can get your details, we'll send communication to you.

Moderator: We have the next question from the line of Nitya Shah from Kamayakya Wealth Management. Please go ahead.

Akshada Deo: Recently, the NMC has announced that you aren't supposed to give the brand names anymore, it's just the molecule that will matter. So, I just want to understand what would according to you be the impact of this -- will it be positive or negative for us?

Pranav Choksi: So, I think its a very, very good question and I don't know how to answer this question properly, but I'll try my level best. So, I'll just give an example. When you have a multivitamin where you have more than 8-9 vitamins plus iron plus some protein or something to be prescribed, I can't understand how a generic product can be prescribed that way. Do you expect the doctor to write those 20, 30 things, even in terms of some fixed dose combinations or in terms of even three products in one or four products in one, I don't know the practicality is there to do that. At the same time, I'll just give my opinion. If today, we are going to remove the power away from the doctor, which is a medical fraternity which is responsible for people's health and give it in the hand of a chemist, because in the end, if the doctors don't decide which product to give, the chemist will decide which product to give. And if the chemist decides which product to be given, then he will decide what is the best margin available to him. I know that I'm not answering your question, but I'm just saying that I don't think it's a very practical thing. Of course, a lot of representation has been done by the industry and more than us, IMC is much more concerned about it. For us to be a proper generic country, we are more than happy, but then there should be a uniformity of manufacturing standards all over India. Unfortunately, the manufacturing standards in India are still not uniform state-by-state, you will see a lot of companies who have WHO GMP but still do not adhere to the GMP standard, which is a very sorry state. But again, I'm trying to be as politically correct in this reply, but I feel it will be a big challenge to I would say drive this move, and if it happens, it will be chaos according to me, but that's it. I think I'm a very small fish in this, more than me, the big pharma companies of India would be in a better

position to answer that because it will be a bigger, bigger headache for them also going forward. Again, I'm sorry I did not answer your question, but I hope you understand my sentiment.

Prananv Choksi: I think we will take it as it comes.

Moderator: We have the next question from the line of Bhavya Sonawanefrom Samassa Capital Private Limited. Please go ahead.

BhavyaSonawane: I just have one question. You have been mentioning that Critical care is showing a comeback. So just want to understand what kind of growth can we see going ahead and overall, are we increasing the addressable market for Critical care going ahead, is there any plan?

Pranav Choksi: Yes, so absolutely. So I think let me divide that into two parts, because Critical care has been launched, is currently taking care of most of the new age anti-infective and other markets plus, we have come up with these divisions under Critical care, micro care prima care, where the primary care market actually goes to the rural market and to the primary healthcare center and we have a micro care which is mostly for a center going for products which are mostly servicing the oncology industry, as you know, the secondary line of therapy, not the primary. So, always there are plans to increase the base of Critical care by adding new, new products. The market representation also increased. I think ceftazidime-avibactam which was launched in January or February has seen. I think that is one brand of ours which has featured in the top 20 brands in the last 12 months of India. So, like that, we have plan to also launch some antifungal on I would say oral products. And as I mentioned before, I think a gentleman asked me, Dual Chamber Bags also would help us to increase the addressable market in terms of patient compliance, plus there are some new molecules which we have launched, plus Sparsh has come for those other products, which we will be catering. They're almost, I think, 130-odd SKUs there, which are there to take care of these other primary and secondary markets, and that is how the interest go. The only issue sometimes what we face with Critical care and Sparsh would be that these are all RM-sensitive products. So, when the RM goes down, the pricing goes down. So even though the growth might be much higher, sometimes the value is not captured because even at a 30%-unit growth, the value might just fall down by another maybe 10%, 15%. So eventually you just see a 10%, 15% growth, but the actual unit growth is almost 30%. So, that's the challenge which we have. But nevertheless, I think the market is ever expanding and with Criticare and Sparsh and every quarter at least I know there is a product which is planned to be launched will ensure the growth continues.

Bhavya Sonawala: So, is it fair to assume the growth in critical care will probably cross 15% 20% expectation?

Pranav Choksi: I would say anything between 10% to 15% keeping in mind the erosion and price is what we have because that's one product which like the dalbavancinI give an example it always starts off with a high MRP and then you see an erosion happening in terms of MRP, in terms of the price to the market. So, keeping in mind anything between 10% to 12% in terms of value is a target

which internally would come to anything between 25%-to-30%-unit growth, that's how we target critical care.

Moderator: We have the next question from the line of Yash Tanna from ithought Portfolio Management Services. Please go ahead.

Yash Tanna: So, my question is on the Indore facility. So right now, we have our interest costs that is hitting our P&L. How many quarters do we fail before we can break even on the Indore facility since you mentioned that there'll be filings, that will also be as a cost to the Company?

Devkinandan Roonghta: Our commercial production is likely to start from the Q3 of this year plus Q4 of this year and maximum from Q2 of next year we will be able to break even on the finance cost and all the cost of Indore.

Yash Tanna: My second question, I think, Pranav, sir, you partly answered that, but since critical care is also coming off a low base and I think exports we have registrations and with this Indore facility also coming in, do we think that we can overshoot 15% to 20%? guidance that we have given and similarly on the bottom line as well with the Indore cost?

Pranav Choksi: I think let's use the word, bottom line in terms of EBITDA, yes, because the post-EBITDA with the interest and depreciation hitting of Indore, maybe will be a different thing. Rungta sir will comment on that, but definitely EBITDA of 15%, 20% should not be issue. Coming to your point about the other growth and then I'll hand over to Rungta to talk about the bottom line. The top line, why we give a minimum expectation of 15% to 20% is like I said, critical care and other things like suddenly they are very price sensitive which has an impact on contract manufacturing also in terms of certain cases also, maybe sometimes in export also, and last year we have seen a big yoyo in terms of price going up and then just falling suddenly. But the problem is when the price falls suddenly in the market they expect you to give a better revision. So, keeping the unit growth much higher of 25%, 30%, yes, 15% is the bare minimum what we think. Anything higher would definitely add up and should start kicking, but 15% I would say a fair thing to comment right now. If it happens more, I'm sure we would love to share that with you all.

Devkinandan Roonghta: Basically, our EBITDA margin is going to be maintained between 19% and 20%. And out of EBITDA margin, the other expenses are also going to increase around 15% to 20% compared to last year and the finance cost is going to start from the Q3 of this year and it is going to increase by around Rs.2 crores per month and there was other increase in the depreciation cost, that is also going to increase around Rs.1.5 crores per month. So, looking to the top line, we will be able to maintain whatever the profit was there in the last year and during the current financial year also.

Moderator: We have the next question from the line of Shreshth Toshniwal from Arth Advisors. Please go ahead.

Shreshth Toshniwal: This is the update on commercialization of carbaPenem. I want to ask what is the range of carbaPenem that we're currently supplying? Could you give us an estimate of the market you're targeting here, is it coming in from Indian companies or is it coming from the import substitution that is playing out?

Pranav Choksi: You mean the API point of view or the formulation point of view?

Shreshth Toshniwal: So, you're supplying carbaPenem, and since there are a range of carbaPenem, some market experts say that if you supply a range of carbaPenem, it increases the stickiness of your customers, am I correct?

Pranav Choksi: Right.

Shreshth Toshniwal: So, along those lines, what is the range of carbaPenem that we are currently supplying and the markets that we are gaining here would be coming in from Indian companies for supplying carbaPenem or is it the import that we are targeting?

Pranav Choksi: So again, what I understood is basically we make injectable of carbaPenems in India and we make the entire gamut. Whatever injectable carbaPenem have been approved in India, we make all of them. So that is the answer to question number one. And the total market size according to me would be around, if I'm not mistaken, 1,400 to 1,500 crores. However, I would still get back to you in terms of the ORG IMS data. Currently, we supply in India by buying API…of course we have started making some API in-house of the carbaPenem which has primarily two of them, which is of course of the major market size. Otherwise, wherever we don't have the economics of scale, we buy from Indian companies and of course import the API wherever required for our own use. So, the sources of the APIs have been well established plus we have interest in two of them which are quite I would say scalable in nature. Like I said, this facility was started in August 2022. So, we are hoping to take this facility in international markets also by next year. It has not been designed for the US and Europe, but yes, apart from US and Europe, the other countries we already have started the process of registration. So, we hope that the Penem further should be increased by 2024-2025 also. So, I hope I answered your question because that import substitution I was not very clear. So, I tried to answer it in my way.

Shreshth Toshniwal: Recently, when other gadgets were banned, there was also talk of potential ban on antibiotics.

Pranav Choksi: Yes. You mean import, right?

Shreshth Toshniwal: Yes, antibiotics and we have significant imports coming in from China especially in carbaPenems, right, which poses to some extent the national security risk. How would that ban affect us?

Pranav Choksi: I understood. So very frankly, if you still ask me the key starting raw material of all the people who are making it in India also still come from China, for the carbaPenem. Of course, at the same time, I'm very happy that Aurobindo has taken this lead and I think their factory which is going to start making the (KSM) also the key starting raw material in India also for Penem should be up and running very soon. or it's on the verge of being starting, or it should be…. I don't have the exact information about it. But with Aurobindo coming in, I believe there's another Company also who's on getting it done. So, getting the material is not an issue, and even if the ban happens, we have of course two or other Indian manufacturers who are already working on it and should be self-sufficient. Also, like I said, we also are interested in two of the carbaPenems to be made in-house and for that also we'll be sourcing the KSM from India. So, there are two companies as of now, which we have started talking to and we will be validating them going forward. However, I'm sure if the ban happens, there'll be other machinery effect, which will come for others also. So, I don't foresee any challenge happening right now.

Shreshth Toshniwal: On the supply side, you're safe. Would that affect the demand for our products?

Pranav Choksi: I don't think if the ban happens, if the supply is enough from Aurobindo there would not be impact on demand as of now, and also on the KSM. So right now, on the contrary, if you see Penems from last year to this year has just crashed by in some cases even 80% of the value what it was being sold to. So, that impact has come in there. But I don't foresee that any demand changes…if it's a global shortage and the products, which are manufactured in India and the capacity is not sufficient to take care of the Indian market, which should be a problem. But right now, what I hear from sources close to the market that Aurobindo is creating a capacity which is quite decent, taking care of the international and domestic market plus there is another player who's also taking it up. So, I don't foresee anything as of now in the next two years at least, subject to any demand increasing suddenly then.

Moderator: We have the next question from the line of Vishal Manchanda from Systematics Group. Please go ahead.

Vishal Manchanda: So, I have a question again on the Penem plan at Indore and your total Penem capacity basically. So, wanted to understand what percentage of the total India volumes would you be catering to through your Penem capacity?

Pranav Choksi: I think so there's some confusion. The Indore facility is not Penem. The Penem block has been made in Navsari, which was commissioned last year, which takes care of injectable Penems only, not oral. And the facility now in Indore, which is coming up is purely lyophilized injectable, ampules and liquid vialsalong with specialty injections like liposomal depots and also sustained release formulations in the form of injections.

Vishal Manchanda: Whatever cumulative Penem capacity we have got and what percentage of the market are we addressing for?

Pranav Choksi: The total capacity of the Navsari factory can take care of I think 40% of the Indian Penem market. Because there are a lot of players who do it in India per se, but a lot of players don't have a dedicated facility who have a dual chamber machine plus powder filling, plus also lyophilized. So that way we are quite unique. So, our offering in a Penem is not only just the simple powder filling Penem where lot of players are there in India, which is anyway not our target size. Of course, international markets where we'll have the lyophilized and the powder filling products. So, we have ertaPenem combined with the carbaPenem and meroPenem as a part of our product basket which will make us very unique. Some other Company registered for powder filling products which there are many, but not many people are there in lyophilized. And also, it's a dedicated Penem block. Not many people have a dedicated Penem block subjected with this, just the single machine. and the second thing would of course be the Dual Chamber Bag, which we also plan to take to the international markets. So that is the unique proposition we are trying to cater into. As the scales happen, probably we are looking at backward integration of the bags also, which will make us more. So, we foresee that we would try in the next, I would say, three to five years. Because of the economies of scale and our own efficiency in sourcing, we want to get the bags cost as same price at the vials cost. If that happens, which I foresee it should happen to us in 2025, then we see a bigger chunk of the market coming to us.

Vishal Manchanda: Would you have orders for your Dual Chamber Bags from the top players in Indian markets from a contract manufacturing perspective?

Pranav Choksi: This Dual Chamber Bags will be sold by us only. We are not offering it to anyone at this moment. It will be only sold with the Gufic brandname.

Vishal Manchanda: Any feedback that you would have got from the kind of customers on their willingness to take theseDual Chamber Bags?

Pranav Choksi: Since we did not get an approval for the price which we desired, we were just doing sampling and we're getting feedback from the markets in the last six to eight months. So, the patient compliance and the overall application by the nursing staff is quite good and even the doctors appreciate it. I would be in a much better position in the next quarter to give you a little bit more in-depth feedback with the products are just reaching the market this month. So, in the Q3 call, I'll be in a much better position to tell you how has been the response now since the channel has now to pay money for it, they will be much more upfront with their feedback. But keeping in mind what we have planned in terms of economics, it should be a good product. We're also taking it slow to ensure that there is no other surprises which will come against us.

Vishal Manchanda: You're partnered with Technoflex on the Dual Chamber Bags. Would this partnership be exclusive or you can look to partner with others -?

Pranav Choksi: Yes, as of now it's exclusive and we have almost more than I think 10-year agreement to come on, I'll get back to you, I think it's an automatic renewal of five year or something but again, I'll

get back to you on that point. Yes, it is exclusive and like I said, the pricing one, whatever investment which we have done, the entry barrier would be at least 2-3 years more for others to come even though filing a patent and all that.

Vishal Manchanda: If you could just share some color on your R&D thought process, because you have been identifying multiple opportunities, do you have a dedicated team that keeps identifying opportunities because we haven't seen other companies being able to get products to the market and unique products to the market so often as Gufic?

Pranav Choksi: So, we normally have four to five core competencies in terms of the therapeutic pipeline. And based on that, we have a business development team which comprises of data analytics as well as medical experts. So, keeping in mind, we always do a projection or a sort of a forecasting of what would be the next disruptive, I would say, change which would come in that particular therapy in the next five to 10 years. Most of the source of information is international markets or it would be our own R&D team. So, we told them that right now we have this particular product and can you work on some unique proposition in terms of drug delivery system or in terms of some unique USPs which would make it a little bit more beneficial. So, we talk about a differentiation factor which can be minor to major depending on the molecule and the pricing point, which we have. And then we always back it up if let's say if we get into the space of anti-infectives, which is of course a major product line for us. We try to see what all products are going off-patent in terms of a delivery system or what new development is being happening in terms of…is there going to be a big disruption in terms of, like I said, you have a Vancomycin, Linezolid and Teicoplanin, which was once a day for 14 days, seven days, 10 days depending on the current therapy. If you have a unique injection which is just on the first day and on the eighth day, then you don't need to take it for anytime longer, it's going to be a disruptive thing. Now currently the price can be the challenge for making it disruptive, but someone has to start somewhere. If we can launch the product now, maybe in three to four years, we will be in a much better position to make it affordable like the same thing with Dual Chamber Bags as I mentioned, we have to make it at the cost of… So, first user we look at, I would say some unique defects which are there in the current supply. If we can fulfil them with something, and then if it's not commercially viable, thus scale bring commercial viability and then we take the decision that we should get into that. And of course, the most important point, whatever decision or whatever selection which we do has to be having its roots in our core competency, which is in terms of our marketing and sales and apart from that our infrastructure also should be able to make that product because after Indore, I don't think that we would spending much more of our money in dossiers in terms of front-end marketing and marketing authorization and also in terms of market development. Indore would be one of the last major capital investments for us in the next at least two to three or four years till we get back to a normal thing. So, that is where how the entire mindset and the thought process works.

Vishal Manchanda: How many patients would we have on Stunnox currently and how is it versus the innovator brand Botox?

Pranav Choksi: So how many patients do we have today? I don't know, sir, but I know that for a fact in the last 24 months of launch, in total around 1,428 doctors have used our product as of July 2023. So, every month we get a number of doctors who have used our product. How many patients they have used upon? I don't know. But yes, depending on the sale, we can just make an estimate out of it. This is only for Stunnox. This is most for the cosmetic and we have separate doctors of around 323 or something which neurological experts or neurosurgeons or other physicians who have used Zarbot, which is the Botulinum Toxin which we have trademarked for the therapy I would say the medicine is used. So that is the number I have in terms of doctors. I don't have the number in terms of patients.

Moderator: We have the next question from the line of Hitesh Popat, an investor. Please go ahead.

Hitesh Popat: If I see, we must be clocking around Rs.700 crores of turnover. So, may I get the break up between CMO and our own branded sales?

Pranav Choksi: Yes, I think 50% to 52% would be our own revenue, around 25% would be CMO, remaining will be exports and then API.

Hitesh Popat: What must be the operating margin in CMO and our own brand?

Devkinandan Roonghta: Basically, it's very difficult to give operating margin, but I can give gross margin. In case of our own manufacturing, the GC will be around 55%, in case of export, it will be around 60%, in case of third-party CMO business, it will be between 30%, it will be GC, gross margin. But to compare with operating margin, it's very difficult, because fixed cost cannot be allocated on the basis of the business line.

Hitesh Popat: Another question would be, how we foresee the next three four years, next leap of growth may come like from the existing verticals or existing wave of business or we would be intending to enter the higher regulated markets like Mexico or US or anything?

Pranav Choksi: Yes, I think it would be a combination of everything, right. The domestic market itself would grow. Dossiers which we have filed internationally would of course come back and give us. And when and how that international market is a little bit depends on the regulatory agencies there. And of course, Indore coming in would be a next growth driver. Apart from that, the new product launches both in the domestic and international markets. For example, Dalba or Dual Chamber Bags and so on. And then of course, Botulinum Toxin would be another anchor, which we would like to ride on. So, there are many growth factors and I'm sure each of them would contribute in their own sweet way.

Hitesh Popat: Can you share some update on dydrogesterone what must be the existing revenue and how we are targeting because it is in very nascent stage in India I believe?

Pranav Choksi: No, now I think it's quite entrenched and almost reaching the level of saturation, my personal belief. A lot of brands have been launched, but yes, I think API would be still the key…if the person who can control the API would be a thing. At the same time, it's a wonderful product because it's going to grow more and more. In the last two years only, you would have seen it almost doubling up. So that's a beautiful thing. Our portfolio would be 3% of our revenue of dydro last year, this year we hope to make it a same percentage because the growth would also happen. And we all are now waiting for the new drug, I mean, sustained release formulations and others which would help it corrected. So dydro, a lot of players are there, but however differentiated would be the API and followed by marketing strategies.

Hitesh Popat: I believe we have our own API or we are dependent on API?

Pranav Choksi: We have a small capacity of own API, but we are looking to expand that depending on the market, but the pricing is just eroding day-by-day. So, we are evaluating whether we go head on and invest so much or we stick to what we have. So, we are evaluating the current scenarios where the price has just become half in the last four months only.

Moderator: Ladies and gentlemen, that was the last question. I would like to hand the conference back to Ms. Ami Shah for closing comments. Please go ahead.

Ami Shah: Thank you everyone for joining us. Hope all your queries are satisfactory answered by us and in case if there are any further queries that has been remained unanswered, you can reach out to us or Mr. Deven Dhruva from SGA, our investor relations partner. Thank you once again. We look forward to such interactions in the future.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of Gufic Biosciences Limited concludes this conference. Thank you for joining us and you may now disconnect your lines.