“Gufic Biosciences Limited Q3 FY24 Earnings Conference Call”

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MANAGEMENT: **MR. PRANAV CHOKSI – CHIEF EXECUTIVE OFFICER & WHOLETIME DIRECTOR, GUFIC BIOSCIENCES LIMITED**
MR. DEVKINANDAN ROONGHTA – CHIEF FINANCIAL OFFICER, GUFIC BIOSCIENCES LIMITED
MR. AVIK DAS – INVESTOR RELATIONS TEAM, GUFIC BIOSCIENCES LIMITED
MS. AMI SHAH – COMPANY SECRETARY, GUFIC BIOSCIENCES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Gufic Biosciences Limited.

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

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

Ami Shah: Thank you, Anuja. Good evening, ladies and gentlemen, and a warm welcome to Gufic Biosciences Limited Earning Conference Call for the 3rd Quarter of FY23-24.

I have with me today, Mr. Pranav Choksi - Chief Executive Officer and Wholetime Director; Mr. Devkinandan Roonghta - Chief Financial Officer and Mr. Avik Das from Investor Relations team to give the highlights of the "Business and Financial Performance" of the Company and to take queries if any. We will begin the call with business highlights and an "Overview" provided by Mr. Avik followed by a "Financial Overview" from our CFO. Following the "Opening Remarks", we will open the floor for the Q&A sessions.

I will now pass the floor to Mr. Avik. Over to you.

Avik Das: Thank you, Ami. And thank you for joining us for Gufic Biosciences 3rd Quarter Call.

I am delighted to present an update for this quarter and I will highlight the progress we have made on various plans. Beginning with the CAPEX at Indore, so state-of-the-art manufacturing facility is progressing rapidly. The facility will have an annual capacity of approximately 52 million lyophilized injectables, about 60 million liquid ampoule injections and 30 million liquid vial injections. This will position us as one of the largest single sites in the world for injectable products, especially in the general category. We remain very committed to ensuring the highest level of quality and regulatory compliance and are currently undertaking extensive validation activities to ensure the same are on the lines. Our efforts have started bearing fruits and we have received the Drug Manufacturing License from the FDA at Madhya Pradesh.

Now moving to our "Strategic Business Divisions" and starting with "Critical Care":

Our brands in Critical Care continue to penetrate the market with over 1500 hospitals recognizing as their preferred choice. Notably, Polyfic secured the number one position in the Polymyxin-B injection market and Micafung emerged as the market leader in the Micafungin market. Additionally, recent product launches such as Cavim and Merofic DCB have received significant acclaim as well. The success of our Critical Care brands is the result of a comprehensive market strategy that we follow. We focus on penetrating the market by establishing strong relationships with medical professionals as well as hospitals and the product

efficacy and quality have earned us the status of being a preferred choice among these healthcare providers, which is obviously a testament to our commitment to patient care and scientific rigor.

Now coming to "Neuro Care Division":

We are very thrilled with the market acceptance of Zarbot, which is the first Indian Botulinum Toxin of international pedigree. With over 100 leading neurologists prescribing Zarbot within one year of launch, it has become the preferred choice for many as well. Our continuous scientific engagement and expansion initiatives aim to further grow Zarbot's user base in India. The market acceptance of Zarbot and our ongoing engagement with leading neurologists are a result of a strategic focus on quality and innovation and building awareness around Botulinum Toxin. We recognize the unmet need for high quality Botulinum Toxin Type-A in the Indian market and have leveraged our scientific expertise to develop a product that meets with the international standards. And our continuous scientific engagements and expansion initiatives further aim to grow Zarbot's user base in the years to come.

Now, onto of "Ferticare Division":

The launch of Supergraf and Guficin Alpha further demonstrates our commitment to addressing some very critical issues in infertility treatment. We are also excited about the introduction of the Dydrogesterone ER tablet in time to come. All of this will offer convenient and effective options for patients that are undergoing fertility treatment and our innovative product development in the Ferticare division is driven by our commitment to address some of these critical issues in infertility such as recurrent implantation failure. We understand the challenges faced by patients and healthcare providers in this area and it is our endeavor to keep responding with products such as Supergraf, Guficin Alpha and of course these products represent a significant milestone for our commitment to growing Infertility division for Gufic as well.

Now, coming to our "Mass Market Division":

Spark, Stellar & Healthcare, these divisions have been witnessing robust growth and market leadership, especially in products such as the Dydro products in Spark division and we continue to introduce very innovative products in this division such as Polmacoxib and Gufican and our strategic focus to diversify in Stellar division is paying us good dividends with oral and topical products now contributing 50% of sales.

Now coming to "Sparsh Division":

We are very proud of the market penetration that we have achieved in the Sparsh Division. We have touched and are dealing with 1017 hospitals as of December '23. This is again a testament to the commitment of our team and improved quality and efficiency in our supply chain. And just to highlight the rapid market penetration achieved by Sparsh division is the result of our

investment in our field force, leadership and supply chain. We recognize the importance of building strong relationships with hospitals and healthcare providers and a commitment to quality and transparency has helped us to establish a strong foothold in the market. And the model has emerged to be very robust and it is a win-win for all the participants and we anticipate this growth trajectory to continue and we will keep investing in building the product portfolio as well as the field team in Sparsh.

Now, coming to "Aesthaderm Division":

Aesthaderm's achievements are a result of our focus on advancing aesthetic care through research and innovation. Our initiatives such as FACE OFF, which was a split face study with the leading Botulinum Toxin brand and advanced aesthetic programs aimed to elevate the standards of aesthetic care in India. Through initiatives like GROW, we are fostering new dialogues on advanced indications and complication management and toxin practice, which is extremely essential as the market for Botulinum Toxin grows in India and a resale is emerging as a center of excellence in Mumbai. As a result of our strategic investment in infrastructure and talent, we understand that providing unparalleled levels of knowledge, training and service are essential for establishing ourselves as a leader in aesthetic care as well as growing the market for Botulinum toxin and the open knowledge repository is an example of our commitment to sharing insights and advancing the overall field of aesthetic care in India.

Now, on the "International Business" front:

We continue to make strides in international markets with registrations across molecules and countries. Our strategic focus on regulated markets and new product registrations furthers our position as a global player. Our success in the international market is the result of our focus on leveraging our existing formulations and targeting new markets based on market gaps and opportunities. We recognize that different markets have very different needs and our approach is to tailor our products and our portfolio and marketing strategies accordingly.

And a very quick update on the R&D. Our efforts in peptide R&D and innovative drug delivery system underscore our commitment to self-reliance and adding new therapeutic segments to our portfolio. We are also excited about the progress of Selvax in addressing the urgent need for effective pancreatic cancer solutions. Of course, there is a long highway in front of us with Selvax, but we are very excited with the progress that we are seeing in our investment there. We also recognize that developing new APIs and augmenting our molecule portfolio and drug delivery systems are very essential for maintaining the competitive edge for ourselves in the injectable space. And it is our endeavor to align our R&D initiatives to help us achieve this overall philosophy that we have in R&D. With this, I will hand over the call to Mr. Roonghta – CFO to give your overview of the financials.

Devkinandan Roonghta: Thank you, Avik.

I am going to highlight the "Financial Results" of Q3 of Financial Year '23-24 versus the Q3 of Financial Year '22-23 as well as the "Financial Highlight" of 9 months of Financial Year '23-24 versus 9 months of Financial Year '22-23:

Total revenue from the operation in the Q3 of the last financial year was Rs. 177.5 crores, this Q3 is Rs. 201.8 crores. There is a growth of around 13.6%. The EBITDA margin in last Q3 of last financial year was Rs. 34.2 crore. This year it was Rs. 36.9 crores. EBITDA margin Q3 of last financial year was 19.3%. This year Q3 for financial year 24 is 18.3%. Profit before tax, last Q3 was Rs. 27.2 crores. This year it was Rs. 29.6 crores. PBT margin last year was 15.3%. This Q3 is 14.7%. Profit after tax, last Q3 was Rs. 20.3 crores. This year it was Rs. 22.3 crores. PAT margin last Q3 was 11.4%. This Q3 is 11.1%.

Now, if you look at the pictures of 9 months of current financial year versus last financial year:

The total revenue in last financial year 9 months was Rs. 517.6 crores. This year it was Rs. 611.7 crores. There is a growth of around 18%. EBITDA last year 9 months was Rs. 101.1 crores. This year it was Rs. 112.94 crores. EBITDA margin last 9 months was 19.5%, this year 9 months was 18.5%. Profit before tax last year 9 months was Rs. 82.8 crores, this 9 months is Rs. 88.6 crores. The PBT margin last year was 16%, this year it was 14.5%. Profit after tax last year was Rs. 61.6 crores. This 9 months was Rs. 66.1 crores. The PAT margin last year 9 months was 11.9%, this year it was 10.8%.

Now, I hand over the call to Ami to take it further.

Ami Shah: Thank you so much, sir. So, we can now open the floor for Q&A sessions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Adityapal Singh Jaggi from Motilal Oswal Financial Services Limited. Please go ahead.

Adityapal Singh Jaggi: Just wanted to quickly get the numbers on revenue from our SBUs that is domestic branded business, CMO, international business, how they have grown over the last year?

Pranav Choksi: So, you are saying per quarter, let me just give you a sort of a heads up keeping them in the YTD 9 months, is that okay?

Adityapal Singh Jaggi: That is okay, but give me YTD of last year as well, so that I will be able to gaze the numbers as well?

Pranav Choksi: So, I will give you the percentage right now, more or less what is there in terms of the different segments, and I will give you the growth percentage on last year versus this year that give you an idea about last year because last year percentage is not with me, but I think this too the

numbers will help you get there. So, the main, like I said, and I will leave a little bit of a two liner also for each and every division to say why the reason of the growth is happening. So, before I get into that, just let me clarify because this one question also came to us by writing and I will just clarify. So, whatever numbers which you see in the Q3 or the YTD till now don't involve any revenue from what you call Indore or negligible because right now most of the validation batches and the three batches of stability are happening for all different products. Totally, we have selected around 68 products also from Indore. So, the commercialization would happen by March end once we get at least the three-month data and the six-month data depending on the molecule. So, the percentage I will be telling you will be purely from the existing base of numbers only, which is comprising on the YTD numbers. So, first of all, the domestic market would be around 56% followed by the international market, even though it is only at around 18%, but it has grown from 15% what it was before. The contract manufacturing would be close to around 23% and the remaining would be API. That is what do you call the API business of us which we sell the API outside. When I mean API, I also mean institution business also. The API and institution mean clubbed with other. Coming back to the domestic business out of the 56% it would be mostly Critical Care taking the lead not only because of Cavim and other brands, but it would be more than around another I think I would say 38% would be 38% to 39% would be Critical Care followed by around 27% would be, what I say Ferticare followed by, then the mass marketing, which would be a combination of Healthcare, Spark and Stellar which would be close to around again 24% to 25% and the remaining would be, of course, Sparsh and Aesthaderm. So, I will just finish off with the percentage of growth and then we can go ahead. So, Critical Care division is growing by around 16% to 17%, Ferticare is growing by 18% to 19%, the mass marketing is growing by around 14% to 15%. I am not getting to decimals, that is why I am giving the range of the percentage. Aesthaderm is growing by around 42% and the Sparsh is a new thing, it has no relevance of what you call background. So, it is completely growth, it is completely just a new division. These are the numbers for our domestic business.

Adityapal Singh Jaggi: When we say Aesthaderm, you are only including the cosmetic side of Botulinum, right?

Pranav Choksi: You are absolutely right, sir. Critical Care would have the offshoot of Neurocare also and here in Aesthaderm, I would be including only Stunnox as well as the cosmetic brands what we have.

Adityapal Singh Jaggi: And sir, if I can also understand what the revenue from Sparsh could be this quarter and if you can also help the revenue from Cavim. Calvim has been a phenomenal molecule for Gufic, so just wanted to quickly get numbers on that as well.

Pranav Choksi: So, Sparsh, we are looking at anyway, again, I will try to give you everything in percentage, please don't mind me. So, the Sparsh would be another, I think it totally comes to just be let me be clear. It would come to around close to 7%, sir.

Adityapal Singh Jaggi: 7% of console for revenue, right?

Pranav Choksi: Sorry 5.5% to be precise. And coming to the question of Cavim, Cavim of course is still leading as you see in December also we are still after the innovator the number 2 product and that is also contributing to a decent, I think Rs. 1.5 crores per month or something like that if I am not mistaken. It is close to, it is more than I think 1.5 to 1.8 crores depending on the month average, but it comes to around Rs. 23-Rs. 24 crores for us net figure.

Adityapal Singh Jaggi: Just a few bookkeeping questions. So, we have invested in our employees this quarter, right, because our employee benefit expenses have increased, or have we increased the count of employees?

Pranav Choksi: Incentives are more, sir, more than the thing and also the increment cycle in Gufic is different, sir. So, it is more about the appraisal cycles in Gufic added up with the incentives which they have received which also normally come during Diwali before that and apart from that. So, that is the two reasons it has gone up.

Adityapal Singh Jaggi: So, this figure will not be, this will come down?

Pranav Choksi: I think Roonghta sir, can you elaborate on this because I might be not sure, but you can elaborate on this. Incentive I think will continue, but I think the appraisal will be now factored in the divided right? Just confirm it sir.

Devkinandan Roonghta: I can say that the total employee cost for this quarter is around Rs. 30 crores, but most probably the average would be in the range of around Rs. 28 crores, so Rs. 27-Rs. 28 crores will be always with every quarter will be there. Additional Rs. 1.5 to Rs. 2 crores which was the extra incentive will be going to reduce in the next quarter.

Adityapal Singh Jaggi: Also just wanted to, we got the patent for our lyophilization process, how does it help us?

Pranav Choksi: So, are you referring to Omadacycline?

Adityapal Singh Jaggi: Yes, correct.

Pranav Choksi: So, Omadacycline is basically a product which we are filing for DCGI. The product will be actually commercialized depending on the DCGI's timelines hopefully in 2025 and for that already we have got a patent in place because we normally we try to get a patent before the documents go into DCGI. So, the public information should not lead to a loss of our IP, so that is why the patent was in place. This molecule is a future generation of Tigecycline. Tigecycline is right now a molecule, it is an antibiotic which is used for certain bacterial infections. It is an important brand for us because we are now almost out of the top ten brands in India, we manufacture for almost 7 of them. And also international, if you see Russia, South Africa, Canada, Brazil, etc., also is a very important strategic product for us. Now, Omadacycline is the next generation of this molecule, whereas the advantage of Omadacycline is that apart from just

being an injection, it also has an oral tablet capability. So, the switch off therapy of this molecule will help us to not only keep our leadership in this segment at the same time, this will be also offshoot where we are working on the API also in-house. So, tomorrow it can also not only, I would say amplify the effect of Tigecycline, at the same time, certain infections which cannot be treated by Tigecycline, this can be a good option. Tigecycline has a black box warning in United States. So, Omadacycline is a product which falls out of this category, and this has a good potential in the US markets also going forward. So, this is the significance of the patent going forward.

Adityapal Singh Jaggi: Also would love to hear from you, how is the molecule pipeline looking like? How is the R&D process going on, a bit of color on that?

Pranav Choksi: As of now, it is looking very exciting from my end, but I cannot unfortunately disclose any names to you. Again, I am sure you will respect that because as a shareholder we don't want our pipeline to be exposed where a lot of other people get into it, but just to give you some numbers, Critical Care, Infertility, even Ortho, Gynec and now even for of course, apart from the Aesthaderm, we are working on certain products to prevent the anti-spike of sugar also. We are also working on certain products which help us for pain management, which I already have discussed last time, which is an unlicensed product which a pain management injection can be taken only once a week. I am just giving you one or two examples here and there. And then of course we are working on the topical form of Botulinum Toxin, so apart from the conventional new generations of molecules which we work on like, we worked on Ceftazidime-Avibactam, we are working on other Avibactam combinations. We are working also on a Meropenem combinations and Imipenem combinations, even working on certain gram-positive, gram-negative bacteria, working on the super pure form of HMG for infertility, working on the extended release formulations of Dydrogesterone and others. Every segment has their own road map and we have it at least lined up, at least for the next 3-4 years, and apart from that we have a biological appetite which post Botulinum toxin would be vaccines, followed by the cancer. I would say again, product from Selvax. So, that is how right now we are placed.

Adityapal Singh Jaggi: Just last couple of questions, I will combine the two. First is that Indore is taking a bit longer to come online. When are we thinking of commercialized generating revenues out of that plant? And second is I think Roonghta sir can answer that is, when are we planning to capitalize it on our balance sheet?

Pranav Choksi: I will let Roonghta answer the question, it will be a shorter one and then I will go on to my part of the question. So, Roonghta sir, you go ahead about capitalization.

Devkinandan Roonghta: Basically, all the validation process has already been started and we are hopeful to capitalize by 15th of March and definitely after capitalization, whatever will be the tax advantage is there that we want to claim in this year itself and all permissions of Pollution Control Board, factory licenses, labor licenses, power, everything has been got, including the FDA license. And I think

all the validation batches that are required for initial capitalization is ready and we are most probably going to capitalize in the months of March from 15th March.

Pranav Choksi: So, that is one part of the question which Roonghta sir rightly explained. And just to give you a little bit of background that why we are little bit taking time, because if you see the factory is ready, anyone is more than welcome to visit everything. But the issue is we are trying to go for one global quality there and there are certain I would say guidelines or quality management system, which we are following, by which we are trying to minimize the duplication and expense. I will explain how, if we have a particular API, we have particular filters, we have a particular RM, PM and others to be used not only for the markets of Europe or for the weekend & we are trying to club it with the markets of US also as well as create certain dossier where at least the target markets for the next 3 years are taken care of. That is one reason by which the validation takes time. Also, before we can start commercial production, there is known as the media fill validation. In media fill validation, we are trying to cover as many different vial sizes which can help us to take up products which are totally around close to 58 or 62 depending on what we say in phase I, which help us to, we don't need to then tomorrow go for any break in production once actually, I would say factory starts because right now for every media fill validation of every single vial type, it takes normally 12 to 15 days plus that is for the three runs and followed by 15 days of sterility. So, imagine if we have to do 58 to other 62 different product line, out of that considering the overlapping vial sizes, ampoule size is XYZ, we still have to go for at least 18 to 20 different media runs and 18 to 20 media runs normally, we are trying to combine in all four lines in a period of four months, which ideally if we take a break and we start production, then we again have to take a break of 3-4 months in the future, which will again compromise our ability to serve our clients. We foresee, only I think in Navsari, we are facing shortages in terms of I would say capacity, but we feel that if we take the break now rather than taking the break in April then there will be a huge backlog which will come up in the month of September or October also. So, we are trying to open Indore with a bang by which all four lines start together and we can start manufacturing 58 and 62 products by which we can at least de-clog the Navsari pipeline by almost 30% and if we can able to do the 30% de-clogging in Navsari that will be equal to immediate capacity utilization of at least 15% to 20% to start off with immediately plus the additional business which anyway will be getting. So, our target of at least 30% to 40% capacity utilization in the first year can be attained, keeping in mind these time investments of media fill, quality management systems as well as product validations also. So, that is why it is maybe time invested now for a better future.

Adityapal Singh Jaggi: And now that we started generating revenue from our Meropenem DCB, dual chamber bags, the inventory is normalized, right or it is starting?

Pranav Choksi: It will be further now. That is why you already see your consumption happening if you go through the numbers. The inventory is already started getting commercialized and I already had given a hint last time. It will take us at least 12 months for the entire inventory to be 0, but of

course, when I mean 12 months, the inventory will come back to normal. So, the existing inventory will be used, plus we will be keeping inventory of two months. So, gradually you will be seeing that Rs. 18 to Rs. 22 crores inventory being gradually shifted out in the next few months also absolutely.

Moderator: Thank you very much. The next question is from the line of Nitya Shah from KamayaKya Wealth Management. Please go ahead.

Nitya Shah: I just want to understand, what is the targeted R&D spend as a percentage of sales in the coming two years considering we are doing a lot of products?

Devkinandan Roonghta: In last two years, basically, our Indore facility is going to start the commercial operation. There will be lot of validation batches we are going to have because of taking FDA license from India as well as out of India and our normal R&D expenses in the range of around 7% to 8%. But I feel that looking to Indore R&D facilities and new validation batches, the R&D percentage may go from 9% to 10% or it may touch to 11% also because of lot of validation batches, lot of new products and everything. So, it may be minimum 9% and it may go up to 11% also.

Nitya Shah: And also a couple of concalls earlier I had asked regarding, you were saying that you would plan to franchise out more of Arisia Center. So, what has been the progress on that or is there still just one in Mumbai?

Pranav Choksi: Very frankly, this is something which we have little bit taken on the back burner because we wanted a particular, I would say break even to be obtained in Mumbai which we have not yet done so and we just don't want to open a number of centers without having a proper business plan in terms of having legacy data to show that what would be the treatments to be pushed, what would be the cost efficiency, the pricing and the actual breakeven time for any new franchisee order to be done. So, I still feel we have done a little bit I would say administration and organization changes. We have gotten some more experts from the field of, I would say, cosmetic background in terms of clinical experience and an administrative background also and I still feel, we will still see the next six months performance. The moment we start hitting breakeven plus 10%, 20% number which we are very close to, I feel maybe 2-3 months more to go and then we would like to mimic this model on a national level. And anyway, I think our hands are full with other projects coming in, so this is something where we want someone else to have at least a basic background and who can extrapolate our data with their own expertise in that respective geography area. So, we are a little bit behind this, and it might be 6 months more before we actually branch out.

Nitya Shah: That is a fair response. So, are you seeing a month-on-month increase in footfalls in the center and how is the awareness picking up and how is the response to the product?

Pranav Choksi: So, I think what was the first mistake which we realized last year in the first quarter was that we did not do much of social media awareness keeping in mind the geography which we are in. So, firstly, we first came up with a SOP of the number of treatments which can be from a price point of Rs. 5,000 to a price point of Rs. 10 to Rs. 15 lakhs. So, initially we tried to make it a very high class clinic and selling products which are almost Rs. 1.5 to Rs. 2 lakhs. But then we realized that the catchment area would be when person comes in for a 5000 and then can be convinced for a 20,000 followed by a 50,000 and 1,00,000 depending on the body and face contouring or effect they want to do. So, that is the first correction which we did in the first 3-4 months. We still then started making a lot of content because today the content in terms of what services we can offer, there are totally 368 different services which we can offer from Rs. 5,000 to Rs. 15,00,000. We tried to shoot videos over the last six months, create reels, also create some sort of animated video showing before and after. Actually, showing case studies where toxin and fillers are used specially Stunnox and fillers are used along with energy devices by which what are the before and after results. Adding to that vaginal rejuvenation and also vaginal tightening also and I feel the reel should start coming in the month of I think March, April and then you would see the footfalls. Answering your first question about footfalls, yes, the footfalls are increasing like I say around not more than 10%-12% month over month, but I believe once the juggernaut of social media and marketing goes on from March and April, we should see like, right now the campaign is going on get your body ready for the summer or like we missed the marriage season unfortunately. But right now, at least for the marriage, the celebrations of Diwali followed by the wedding season again, December, we have everything lined up now in terms of content reels and videos. So, I foresee the next six months should help us for minimum, at least 50%-60% month-over-month in the increase in business. That is why I am saying we are very close to the breakeven and not only close to that, but it is surpassing what I would like to say.

Nitya Shah: So, you said 10%-12% month-on-month growth, so what is the absolute number of people coming into the clinic?

Pranav Choksi: I think I would not have that data, but I can get that data to you. But I will ask, we have a separate team handling Arisia for that in separate SBU, but I will get that data for you.

Nitya Shah: And also, just to confirm your commercialization of the CAPEX like when we starting the revenues will begin from Q1 FY25, right?

Pranav Choksi: That is what I foresee in a big way possibly.

Nitya Shah: Because I remember in the earlier presentation, it was always mentioned, Q1 FY24 is where the commercialization would begin. So, it has almost been postponed by a year the commercialization?

Pranav Choksi: No. I will tell you, there were two differences there. If you see that was the first time when we were going to go for only three lyophilizers, in the end we decided to go for six lyophilizers

because of the backlog in order which we had. So, that is why and the I think you are referring to a very old thing, but we always were targeting around Q4 2024, but because of Pseudomonas being there one issue which we had in the water system, our entire thing got delayed by 45 days which was unexpected. Otherwise like I said, keeping in mind the validation, the QMS and all that we have made a very pragmatic decision that by increasing the number of lyophilizers and total number of products as I mentioned in the earlier call reply also went up to 58 to 62 and now incorporating all these 58 to 62 products for the next three years without taking any major break in terms of validation, qualification or even media fill, I think this time would be fine. So, we are much better prepared to handle the bigger capacity and like I said de-clogging Navsari by 30% which is very important because we are seeing now orders coming in from other parts for Navsari and we will need to push the domestic business out to Indore.

Moderator: Thank you very much. The next question is from the line of Dhara Patwa from SMIFS Limited. Please go ahead.

Dhara Patwa: Sir, we say that we are the largest supplier of Gonadotropin and Micafungin, so can you throw more color in the existing market size, which are the other players present in this and how our market share is panning out in this category?

Pranav Choksi: So, Gonadotropin is actually part of the IVF markets where we have HCG, HMG and FSH, where we say that, apart from being a strong contract manufactured because of legacy and now also being a strong marketing Company in the domestic space for these molecules, that is where the actual growth is coming from. I feel now with Supergraf coming in which is a new, highly purified form of HMG also, which is, I think, going to be a very good tool in terms of the follicle size and the number of follicles as well as will be an important weapon to help the doctors to treat in the treatment of infertility. We are going to see good traction going forward also. We are quite bullish on the IVF segment as have been from day one. India also with all, I think in the last two years, advantage in India has been that even though you all don't see it that we are still growing, but the Indian market has gone through a good metamorphism. I will explain how. The IVF market was not as regulated in the pre-2021 or 2020 as it is right now. The donor, the people who can donate their eggs, the number of surrogacy which are possible also, who will be eligible for surrogacy, also at the same time, how many donors can give how many eggs in a specific time, all has been now controlled by the government and it is an amazing thing, now you have traceability. At the same time you have, I would say the right quality is also taken care of. So, this, even though I would say to some extent in the last two years affected the overall uptake of the Infertility industry. However, as a Company we were quite aggressive, and we took a good market share out of it. I already mentioned and it is more than close to around Rs. 3,000 to Rs. 4,000 crore market share, especially keeping in mind that Dydrogesterone is also taking a big lead in terms of use apart from hormones, along with progesterone. We foresee that this market will continue to grow in double digits, and we would be one of the major leaders who at least target 15% to 20%, bare minimum out of this growing market and ensure that not only in our

own marketing, but also in the contract manufacturing try to take more and more share. So, this is about the IVF Gonadotropin. In regard to Micafungin, Micafungin is an antibiotic which is class of Echinocandins which are, I would say relatively new. I would not say, it is almost since decades they are there, but they are still quite, I would say new as compared to the overall antifungal space. So, Micafungin, Anidulafungin, Caspofungin are the products which normally are used in to treat Candida species and luckily with our basic manufacturing and our also in-house, I would say, manufacturing of not only APIs but formulation but also certain patent benefits. We foresee that not only Micafungin, but Caspofungin and Anidulafungin also will continue to grow plus a strong scalability of Liposomal Amphotericin B which is another good antifungal which you must be known during COVID, after COVID it was used in mucormycosis. That is also something where we are targeting in this year that we should take more and more market share, but not only in India, but we have also started filing it for countries abroad also. So, these all molecules not only in India, but in the world should take a strong market share. So, again, how much quantity and all that, I will get back to you, but I hope this answers your question.

Dhara Patwa: My second question was like we are partner with Prime Bio, so is this a revenue sharing model or the revenue will be booked entirely by Gufic and Royalty would be paid if you could explain that?

Pranav Choksi: Yes, it will be revenue would be entirely booked by Gufic and Royalty would be paid to Dr. Bal Ram Singh, his Company Prime Bio.

Dhara Patwa: So, this would be around 2% to 5% or is there any agreement anything? Do we have a number over here?

Pranav Choksi: We have a profit share of 60% to 40%, 60% Gufic Bioscience will get, 40% of the profit goes to Dr. Bal Ram's Prime Bio and that we have an agreement in place, yes.

Dhara Patwa: Sir, just last question, so what is the total debt as of December '23?

Pranav Choksi: I think I will request Roonghta sir to answer that question.

Devkinandan Roonghta: There are two types of loans, basically, it is a long-term loan that is called the term loan. We have taken around Rs. 160 crores of term loan from HDFC Bank and Saraswat Bank for our Indore plants and for our existing Navsari plant, only Rs. 15 crores term loan is pending. So, total loan outstanding as on today is around Rs. 175 crores. Other than this, there is limit sanction of working capital loan for Rs. 150 Crores. That is the funded, around 70%-80% is limitedly utilized. Remaining is unutilized limit is available with us.

Pranav Choksi: I think here, it is a good time to also elaborate on one point. I think you Roonghta sir, maybe if you can elaborate the point.

Devkinandan Roonghta: Yes. We have issued preferential allotment of Rs. 100 crore to the one of the shareholders, Motilal Oswal. That fund has been utilized for repayment of the existing term loans of Saraswat Bank for our Navsari plant and also we have paid around Rs. 5 crores to Aditya Birla Group for which we have taken a residential flat purchase for the employees of the companies as well as for the guests coming from different location and the outstanding total term loan is not able to repay because of the blocking period of Indore. There is a total two years blocking period for both the loans that before 2 years we will not be able to repay any loan. Otherwise, we are also in a position wherever there is a cash generation we are going to repay the term loans.

Pranav Choksi: So, just to elaborate ma'am, what he said that around Rs. 99.99 crores has been raised, which has also been used to pay off long term debt as well as the other money has been parked in the CC limit because the moment our prepayment clause gets over or I think it is around June 2024, we will be using the amount which is parked in CC to pay off the other long term debt also, so the entire Rs. 99.99 crores have been used to pay off the long term and the short term debt and after that the numbers have been shared with you by Roonghta sir.

Moderator: Thank you very much. The next question is from the line of Yash Tanna from iThought PMS. Please go ahead.

Yash Tanna: So, the first question, I think you partly answered, but now we are commercializing this Indore by March, you said. So, if you can broadly state what would be the path forward for the optimum utilization of Indore in the short, medium and long term in terms of which segments or which geographies would be targeted in the short, medium and the long term for Indore?

Pranav Choksi: So, just to elaborate, the geographies, I will start off first. Capacity utilization will be discussed by Roonghta sir because he has those projections in place. But I will just tell you that the geography we thought, and we have no option but to start with the Indian market provided the six months stability data and the process validation and the analytical method validations are done. We then start submitting our dossiers for all countries where we already want to trigger other inspection. So, be it, I would say Southeast Asian markets, which have been our legacy markets plus Africa, South America, we will be also triggering Europe to start off with. US is another market which we are hoping to target by 2025 initially or maybe end of 2024 as there are two molecules which will be getting the dossiers made and then submitting the thing. But like I said, that would be triggered by our partners where we will be pure contract manufacturer and that has been policy from before only. For the first 2-3 years we would be a sort of a contract manufacturing option for US. Eventually, then we will decide whether we want to go for our own ANDA or not. So, like I said, it will be starting from our legacy markets, starting with the domestic market where we see anywhere good traction followed by the legacy markets followed by the regulated markets of Brazil, South Africa, Canada, Russia, Europe and then eventually US. This is the way going forward and capacity utilization, I will request Roonghta sir to take it further.

Devkinandan Roonghta: The answer is already explained to you that initially we are going to target the domestic market. So, in the first year of operation, we expect capacity utilization 25 between 20% and 30%. Next year again the main focus for will be domestic market. I feel that capacity utilization will be going to jump from between 30% and 40% and after 2 years when we get the permission from the market will be open all over the world. The capacity utilization is going to jump, but initial two years I feel the capacity utilization will be around 40% for the first two years, then it will start gradually increasing the capacity utilization once we were able to get all the permission from the international market.

Pranav Choksi: And just to add to that, when we talk about capacities that as and when the commercial production is happening, a lot of capacity will be used for validation batches since we have 58 to 62 products land. Why I keep on saying 58 to 62, there are four products which we are still on the fence whether we take it in phase I or not. But let us assume 58 products also from phase I. Then we have to plan for three validation batches also in two different batch sizes. So, we are looking at 58 x 3 x 2 batches to be taken, at least in the next 1 to 1-1.5 year which will help us to produce dossiers to take it to the international market. So, those also will be even though manufactured, but will have no commercial relevance till the dossier is approved in those countries.

Yash Tanna: And then that will you said de-clog the capacity in Navsari which will help us probably to grow in the international markets from Navsari?

Pranav Choksi: That will help, the de-clogging of Navasari will help us to plug in the domestic requirement from Indore very frankly, and you rightly said, yes, the Nasvari is seeing its own traction for orders coming from Russia, Brazil, Canada, South Africa and of course Europe. So, the capacity in Navasari, which is free will be immediately I think used up in the next three to five months only with the export orders coming in. We are a little bit running behind schedule. Otherwise our capacities are an issue right now, so hopefully from March and April onwards that de-clogging should start helping us for revenues preponement.

Yash Tanna: Second one is with respect to Botulinum toxin, so now we are trying to make a market in India with Zarbot and Stunnox but it would take its own time, you have mentioned that before, but the bigger opportunity is actually in the international markets, right as stated by you also previously, I mean the drug has potential going by the market size, the drug has potential to change the trajectory of Company. So, is there any monetization plan with respect to Botulinum toxin maybe out licensing or something else? I mean we briefly spoke about this in the AGM as well, so would love to hear your thoughts on the same?

Pranav Choksi: Yes, absolutely. Let us hope that we can do something very soon. That is all I can say because I am not allowed to say anything further, that is why.

Yash Tanna: And one last question, so now with fund raise you said we will pay off by June the Rs. 100 crores that you have raised from Motilal, the balance sheet is slightly more comfortable, so what would be our capital allocation priority is now?

Pranav Choksi: Just to clarify, the long term and short-term debt had already have been paid off right now. The only thing that we have parked that money in our CC limit. Otherwise, whenever the option opens, it is just basically to remove from the CC limit and pay off the long-term debt whenever required because the interest percentage or both the loans are same only. So, it is as if we have paid off, anyway the March balance sheet itself will reflect that when you get it. Coming to your second question, at least for the next 12 months, except for repairs, maintenance or I think I would say replacement of any machine which is down due to breakdown, we will not be investing in any capital expenditure as of now. Most of the money and the resources will be used for dossier development, R&D purposes as well as validation only. So, as of now, except there is some external infusion of funds by anyone or maybe some opportunity via JV or whatever, I mean that is again, let us see when the time comes. Gufic Bioscience as such directly will not be investing in the next 12 months in any capital expenditure.

Yash Tanna: So, the priority will mainly be to pay off the remaining debt, right?

Pranav Choksi: Pay off the remaining debt and also to maximize the Indore potential as well as Navsari potential because most of the money will be required to pay off, to get those dossiers and validation one, so that will actually help Indore start generating the revenues what we desire. So, yes, it would be more than the debt repayment at least for the next two years it would be creating dossiers, marketing authorization, R&D which eventually would help us to pay off the debt in the next 3-4 years after that.

Yash Tanna: And that will be booked in the P&L, right? The R&D?

Pranav Choksi: Absolutely, that is anyway taken in the P&L in consumption as well as in other expenses, yes.

Moderator: Thank you very much. The next question is from the line now Bhavya Sonawala from Samasa Capital. Please go ahead.

Bhavya Sonawala: Just a couple of questions, recently I just read that the Meropenem prices had taken a correction recently, so does that affect us, and will that affect the Dual Chamber Bags whenever we do rollout?

Pranav Choksi: Yes, I think, Bhavya, if you are following us for a year now, the Meropenem MRP, you are talking about the API prices or the Meropenem formulation prices in India?

Bhavya Sonawala: Yes, the formulation part.

Pranav Choksi: So, the MRP of Meropenem has already been fixed in April 2023, actually on 1st April 2023 itself. So, anyways since last year, I think and if you have been following us, that is the reason that our DCB bags got delayed in terms of launch because we have been after the Indian Government to allow us to launch the DC bags in a differential pricing. So, the pricing allocation, we still are trying to get our 15%-20% benefit. Of course, we have asked for much more, but I think the Government has not agreed to that. But I think looking at the legacy data and the past approvals which they have done, they will be giving us a 15%-20% benefit of price upward as compared to the vials and that is what we will have to live with it right now and that is why keeping that in mind, we have decided to go ahead and launch the DCB bags rather than waiting for it going forward. But once we get the dossier done, international market is where we will see a good traction because there the realization will be much better rather than India.

Bhavya Sonawala: Just another question, I am sorry if I missed it out, but are we at full capacity at Navsari right now or is there any kind of excess capacity for us to grow until Indore comes online?

Pranav Choksi: Very frankly, Navsari is divided into 3 parts. The Penem block is the new one which came in August 2022 that we have surplus capacity there because it is a new block and we are maybe at 50% or 52% or 55% only. The Lyophilization and the Vial is somewhere where we are almost running out of capacity in Navsari and that is why the Indore, I think we are quite keen to start Indore as soon as possible once the right validations are done. So, I feel yes, the lyophilization as well as the liquid ampoules and the vials are something which we are facing capacity concerns in Navsari which should be eased off by March-April from Indore.

Bhavya Sonawala: And just the last question, can you just talk about probably the performance of our international business and CDMO for the last, let us say 1-2 years and how do you see this going ahead and in terms of growth rates, if there is anything?

Pranav Choksi: The base of the international market is quite low, so we always will see the international market growing at much higher percentage and that is the reason I think Indore cannot come at a better time than what we are seeing right now because we are now getting into backlog of orders from Navsari for Germany as well as Canada as well as even Brazil to that matter I think and of course then the other regulated markets are anyway there for us. So, that will still be growing at a much higher pace. Contract manufacturing avenue will be opening and unlocked now with Indore coming in because apart from just lyophilized injectables and normal vials, now will ampoules and with PFS and also with some extent of sustained relief products, depots and also liposomal products, a larger gamut is opening up of Indore in terms of contract manufacturing. So, again, Indore will start the same life cycle as how Gufic started around maybe 8 years ago through Navsari. It will be a combination of domestic market plus contract manufacturing, loan licensing as well as international market which will start kicking in after two years. So, you will see a natural progression, but the capacity in Indore is massive, so I am sure that we will not need to compromise on any of the divisions that we are talking about. So, there will be good

sustainability not only for Gufic as such, but also for our valuable partners in terms of international markets as well as domestic also for contract manufacturing.

Bhavya Sonawala: And you just mentioned that when we do go to US or regulated market and US by specifically we will go through the contract manufacturing route initially, so just want to understand is this the kind of route that every pharmaceutical Company takes or is this something that we are taking consciously and then think about it when the time comes?

Pranav Choksi: Very frankly, I don't know about what others do, sir, but I think we are very clear that it is a learning curve for us also and we don't want to take a big step and then to take two steps behind. US is a very complex market more in terms of not only the basic supply but in terms of the legality as well as the other bureaucracy which associated with it. So, we would like to take it as a learning curve step by step and go ahead and that is how we started in Navsari also with Europe. So, that is the procedure which we use.

Moderator: Thank you very much. The next question is from the line of Sunanda, a Proprietor. Please go ahead.

Sunanda: Can you just share some update on the oral vaccine technology and its market potential as you have already applied?

Pranav Choksi: So, your question is about oral vaccine technology, right? So, this is something which we have initiated this year, but I think it will be very preliminary of me to comment on that because, like I said, it is still such a sensitive matter, but yes, we have given our first draft to DCGI as we have mentioned earlier also in the calls and we hope that we get the road map in terms of, the regulatory road map soon. Very frankly, keeping Indore in mind, we had for some time kept the project on hold because we didn't want to commit much capital and expense at the cost of the Indore. So, we would be kick starting the aggressive oral vaccine pursue technology for 2-3 products also post June, but till then, we will focus on Indore to be stabilized. So, right now I can just add that much to it. I would just request you to wait for two more quarters and I will be able to give you a little bit more input about this technology.

Moderator: Thank you. I would now like to hand the conference over to Ms. Ami Shah, the Company Secretary for closing comments.

Ami Shah: Thank you. So, if you have any further questions, please feel free to reach out to our Investor Relations team. Before we conclude the call, I would like to reiterate the disclaimer. The information, statement and analysis made in this document describing the Company's objectives, projections and estimates are forward-looking statements, no representation or guarantee either expressed or implied is provided in relation to this document. The document should be regarded by recipient as a substitute for the exercise of their own judgment. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new

information or future events or otherwise. With that, we conclude today's call. We appreciate your participation. Thank you for joining. Thank you.

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