“Gufic Biosciences Limited
Q2 FY2023-2024 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2023-2024 Earnings Conference Call of Gufic Biosciences Limited. As a reminder, all participant lines will be in the listen only mode and anyone who wishes to ask a question may press "*" and "1" on their touchtone phone. To remove yourself from the question queue please press "*" and "2". Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ami Shah, Company Secretary, thank you and over to you Ms. Ami!

Ami Shah: Thank you Sagar. Good evening everyone and a warm welcome to Gufic Biosciences Limited Earnings Conference Call for Q2 FY2023-2024. I have with me Mr. Pranav J. Choksi - Chief Executive Officer & Whole time Director; Mr. Devkinandan B. 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 questions if any. We will begin the call with the business highlight and overview by Mr. Avik followed by financial overview by the CFO. After the opening remarks the operator will open the bridge for Q&A session. I will now hand over the call to Mr. Avik. Thank you.

Avik Das: Thank you Ami. I will quickly provide you all with a comprehensive update on the current status of various initiatives and divisions of the company. I will begin with the Indore facility so the installation of equipment at our Indore facility is now complete, and we are progressing according to plan with the validation studies. Now within critical care division our portfolio experienced a strong growth across key molecules. We have a portfolio that is specially targeting the fast growing segments of primary and secondary healthcare facilities. The commercial launch of Dalbavancin post the DCGI approval was completed in this half of the year and we are very happy to communicate that we have almost touched 400 lives in less than 60 days and as you all know that this is a very unique product and perhaps first time in India it is finding wide application and acceptance. On the Cavim front, which is our product Ceftazidime Avibactam it continues to be recognized among the top 20 launches and it has established itself as a notable antibacterial injectable and this is also the only brand in the top 20 which is an antibacterial injectable. Then on Immunocin-Alpha front, we have concluded the trials for sepsis and we are anticipating the DCGI approval in Q3. On the dual-chamber bags front, we have been expecting the final price approval from Meropenem in Q3 and subsequent to that in Q3 we intend to launch this product as well.

Now in critical care, we have also some updates from our R&D. So our R&D team has been able to develop key life saving antifungal product that can be stored at room temperatures now which will eliminate the need for cold-chain handling. This will ensure that we can now make this drug accessible to the remotest healthcare centers in India and at affordable prices. So this is a great R&D achievement for us and hopefully we will be able to replicate similar things for our other portfolio products as well. Our first in class antifungal product is also set for launch at a very

revolutionary price point. This will obviously mean that the accessibility and affordability of this drug goes up. Coming to Sparsh, in Sparsh we had mapped out almost 8000 hospitals and very happy to communicate that we have almost reached out to 1000 hospitals and we are doing business with almost 1000 hospitals now. We have successfully launched in 12 states and we intend to add another four states and our SKU count has already gone up to about 96 and most of our sales touch points in this division is doing well and is profitable. We have also launched a very unique product called SeraSeal in this division. It is a hemostatic agent and this has gained acceptance in leading hospitals and it has started demonstrating its effectiveness in actual surgical procedures so this of course implicates that Gufic is the only company in India which has this product. On the ferticare front we have established presence in nearly 60% of all IVF centers in India and our brands and our products are the go to choice for over 50% of the gynecologists. We are also working on recombinant alternatives to critical hormones. This will make us self reliant and ensure steady supply and hopefully in the next 18 to 24 months we should be able to bring these products out in the market.

There is some interesting update with Thymosin Alpha-1. We have concluded the trials for endometriosis and we have got excellent results there. We are conducting trials for recurrent implantation failure with Thymosin Alpha-1 and the initial results are very exciting for that as well and we will keep you all posted as the trials progress over there. In our Healthcare, Stellar and Spark division the inclusion of the ENT specialty has strengthened our antibiotic portfolio enhancing our capability to address larger medical needs. We have introduced Polmacoxib in the orthopedic specialty. Dydrogesterone has also been introduced here to fortify our reach to Gynacs with this product and the earlier launch product Gufican and Gufibis they continue to gain momentum in this particular division. In Aestherderm and Neurocare division, Stunnox's success in the sixth phase trial has created a lot of awareness and confidence within the fraternity. Today almost 1100 cosmetologists have tried, tested, and accepted Stunnox as a product. Our work for registering the fillers is on track and we will keep you all updated with the outcomes of that and we have set up a specialized neurology team in this half of the year and to strategically target the critical neurology segment through our brand Zarbot, so that team continues to reach out and educate the doctors of the various indications that Zarbot can be used.

On the international business front we have received one new product approval from Sri Lanka, Chile, Myanmar, and Malaysia each. Along with that we also received an injectable product approval from Australia and Brazil this half of the year. This opens up some of these very lucrative markets for this product as well as other products because our facility now gets approved by these two regulators and as on date we have almost 200 products registered across regulated and semi-regulated markets with a presence in more than at least 40 countries and we have a pipeline of about 150 plus products under registrations as well. So all in all we are well poised to continue our growth and success in each of these initiatives and divisions as you all are aware we remain very committed to our innovation and completing our expansion, going live

with it and overall addressing the healthcare needs. So with that I will hand over the call to our CFO, Roonghta Sir for the financial updates. Thank you.

D Roonghta: Thank you Avik. Good evening everybody. I am going to highlight the financial performance of Q2 of FY2023-2024 versus the Q2 of FY2022-2023 as well as the half yearly performance of FY2022-2023 versus half yearly FY2023-2024. The current Q2 of FY2023-2024 the total revenue from the operation is 214.8 Crores whereas the previous Q2 quarter was 175.7 Crores. The EBITDA for current financial year Q2 is 39.7 Crores whereas Q2 last financial year was 33.4 Crores. EBITDA margin for current Q2 is 18.4% whereas the previous Q2 was 19%, profit before tax is 30.90 Crores compared to 27.3 Crores, and profit after tax was 23.2 Crores compared to 20.2 Crores. If I see the half yearly performance of current financial year versus previous financial year total revenue from the operation is 410.8 Crores compared to 341.3 Crores. The EBITDA is 76.1 Crores compared to 67 Crores. EBITDA margin is 18.5% compared to 19.6% in last half year. Profit before tax is 59 Crores compared to 55.5 Crores last year. Profit after tax 43.8 Crores compared to last year 41.3 Crores. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhavya Sonawala who is an individual investor. Please go ahead.

Bhavya Sonawala: So I have two questions. My first question is how long do we think it is going to take us to see decent revenues coming from Sparsh just trying to understand that we have launched in 12 states so how long do you think we reach most of the states and we see some kind of sizable revenue coming from the Sparsh division?

Pranav Choksi: Basically for Sparsh the way we are going is we are planning that to comb state-by-state. So when we talk about sizable revenues it will all depend on how much PCPM do we actually reach for a particular I would say zone or a particular state, let us put it that way. So our immediate target is that we started off with 33 people now we have gone to around 42 or 43 people, when I am talking about 43 those are the actual account managers or the people on the field and then of course you have the subsequent manager, so right now the PCPM would have reached close to around 6 to 7 lakhs. We hope that we can reach 10 lakhs and of course this is something which is substantial one reason being we have almost 96 SKUs being sold by them, so they have a good basket and that is why the PCPM is justified. According to me, whenever we see a 10 lakh PCPM coming in we just put one more person in that area for the expansion. So again talking about substantial thing so once you do the math doing around close to 3-4 Crores per month in something, but when being substantial we hope that we can reach an average of approximately 6 to 7 Crores per month by the end of the financial year.

Bhavya Sonawala: So you mentioned currently it is around 7 lakhs is that correct?

Pranav Choksi: So it is around 3 Crores right now on average.

Bhavya Sonawala: Makes sense. Understood. Just one last question in the last call you had just mentioned that the investment we did in the new plant for someone else would be higher I am not trying to quote you on that, but just trying to understand what has enabled us to get this kind of value is it something on plant packaging side or if can explain how have we managed to make it much more valuable for us than what others might have taken?

Pranav Choksi: Actually you really put me on the spot what I meant was with your humility is just because of the experience what we have in Navsari in terms of what is relevant, what is not relevant, what is redundant and especially when we talk about economies of scales sometimes if you put let us say two lyophilizer or three lyophilizer it would still cost you 200 to 300 Crores but if sometimes we put six lyophilizer and little bit of modification in terms of the capacity of the condensing capacity and technical things like the packing configuration and other configuration that is where the expertise of being in the field of manufacturing of injectables really helps us for that we are a little bit ahead of the curve in terms of our understanding what is needed, not needed. So what I meant was the capacity in such, the capacity which we have in terms of economies of scale is something which we are trying to use in our favor and by this what I meant is because of the designing of the grade B area, the grade C area, how compact can we make it, how compact can we try to make the prouder processing unit, the lyophilization unit, even the packing hall for that matter, even the quality control systems in terms of the equipment and the stability chambers that is what I meant? It just says that tomorrow because of this knowledge bath we are somewhere much I would say efficient I would like to say nothing else.

Bhavya Sonawala: Understood. If you do not mind can I squeeze in a last question. About Arisia the specialty clinic we have, are we planning to open a few more and do you see this becoming a profit center vertical, different vertical that we might enter into?

Pranav Choksi: Actually Bhavya there are too many things happening, right, so I think Arisia was clearly bought with a vision of making like a training center at the same time making like a brainstorming center for doctors to come all over and get trained for new equipments or they have their knowledge domain which they can come and share it with other team members also. At the same time it can be also used for certain new trials or certain new products. Our end goal is to actually sell Botulinum Toxin, our Stunnox and we want to sell our fillers and the different aesthetic products which we have. At the same time we feel that in India we have amazing doctors, but at the same time what the people of India need in terms of the population catering to 140 to 145 Crores we need a good set of doctors, who not only are I would say focused or a little bit densely available in Mumbai, Delhi, Chandigarh or Bengaluru, if we can get centers which are set up in Tier-2 towns also, that is where the new growth and the new India is coming from. So we also hope that with Arisia, so the strategy will not be to create more Arisia as a profit center, the strategy would be to create training centers and knowledge dissemination centers around India where there is a catchment area. Like opening Arisia in Chandigarh and Delhi might not work for us, but opening something in Nasik and then Hyderabad and then Raipur or for that matter in those towns is

much better where we can look at more and more I would say doctor in discussion and doctor knowledge spreading so this is where I would come from.

Bhavya Sonawala: I understood that. Thank you so much for your time. Thank you.

Pranav Choksi: We before we go to the next call, I think there have been some questions which have come also by mail before by some of you so I think I will take this forward right now. So in terms of Indore there were a lot of people who are asking us in terms of the capacities and the impact it would have and right now of course we have Navsari and we have for that matter a good capacity in Navsari so why is Indore required, so just to share something with you all. I think apart from the pharma market which we feel will go through that level of expansion we also feel that specifically the accessibility of injectable products or ICU products is something which we foresee going on and expanding in a big way and for that matter we feel that the Navsari facility should be almost full of capacity by June or July 2024 and that is where the need would come for Indore facility where I am sure that in the first few years it might be maybe 25-30% followed by maybe 40-50%, then followed by 70%, but that is the requirement that we feel that, if we try to make it at that time it will be too late and also every new facility has their own gestation period in terms of regulatory guidelines, getting the approvals done and nowadays more and more sophistic. I think as you have seen the guidelines are getting much more stringent. The countries they expect much more in terms of documentation. So we feel that even if we get the facility ready and the production started very soon then the entire I would say timeline would still be around 6-8 months where we actually gain steam. So that is the relevance of having an Indore facility kept ready and I feel we have enough molecules, enough products in the pipeline at the same time we have still a lot of geographies to I would say get into which we feel we will be ready with the Indore coming up. So this was just one question on the way. So I will try to ask answer maybe some questions which now are coming beforehand also for the meeting. This is something new which we are trying. We can go on to the next caller please.

Moderator: Thank you so much. The next question is from the line of Adityapal from Motilal Oswal Financial Services. Please go ahead.

Adityapal: Hi Avik, hi Pranav, hi Devkinandan as well. So thank you so much and congratulations on a really good performance, so Pranav just wanted to understand the growth that is coming. So where is this growth coming from has it been broad based, is it coming from domestic or international, so if you can just give me some colour on that?

Pranav Choksi: As I mentioned before let us divide the growth into two parts one is domestic and the export. I mean domestic is still ruling the growth I would say story much more and that is also having maybe one inorganic reason also. The inorganic reason would be Sparsh to some extent because that is something which we had initiated only in the end of financial year last year. So that is one of the reasons, also as I have mentioned in critical care whatever shortfall we had, so even though

there is erosion in prices but itself the market has reacted which we saw big lull last year. That market has expanded plus certain benefits coming from the infertility market and also as Avik mentioned during his introduction, so Dydrogesterone and infertility and gynac market. Then HMG is a new launch which we have done with the help of HCG traces and also now with the help of I would say in Polmacoxib in the marketing division and to some extent I would say Botulinum Toxin also, why I say to some extent because on the bigger scheme of things in terms of the company Botulinum Toxin still has a small base, even though it is increasing by adding maybe 50-80 doctors month over month, we still see a market where the product itself is almost doubling up more in a yearly basis but still it is a small component compared to the entire company. Coming to the international front, international front I would say the growth is there but not as aggressive as the domestic part. The reason for the growth being limited, but we have almost now the business which is mostly secured in Germany, Portugal, Canada and Brazil. So nowadays like I say and that is where the Indore facility plays a big role. The capacity is more or less will be chock-a-block by June- July. So I would say if the growth is let us say 10 right now, I would still say 6 to 6.5 would be from domestic and 4 to 4.5 would be from export.

Adityapal: Understood that really helps and the new product that you are coming for which we have done R&D so what could be the market size revenue potential for those products?

Pranav Choksi: There are several. So if I say in critical care when we talk about the new antifungal which we are coming up with or let us say the sepsis product which we are coming up with, it is almost like let us focus on the antifungal first. Antifungal there are options of echinocandins, the fungins, all the way to a basic Amphotericin B to the basic Ketoconazole. The entire market would be around 500 to 600 Crores, but of course this entire market would just help with the new addition of antifungal because when a patient has to take an injection every day instead of that the patient would require only one injection in a week, so it is like one injection on day one and one injection on day five or day six depending on the patient. So we would be addressing a part of this market which is anyway growing in a much bigger way like I said and then let me give you an example of infertility products. So right now you have this HMG which is a human menopausal gonadotropin which plays a big role in the IVF treatments where the quality of the ovulation, not only the ovulation time, the right ovules, the number of eggs available for fertilization I would say they all play a big role and this HMG plays a big role. In the last two to three years we really have tried to find out the reason that why a particular HMG maybe works excellent in patient A, but whereas sometimes there is issue of a cycle going wrong in patient B. As we know most of you will be aware when IVF cycle is there some people are lucky in cycle one, some people require two cycles, some people are so unfortunate for whatever reason they have to wait for cycle three or cycle four. There always the reason might not be inflammation so what are the reasons by which the patient has an issue. So either they have some intrinsic body issue things like endometriosis or some people have some genetic defect or some people have some other I would say diabetes and other complications lead to some issue where there is inflammation in the body by which the fertilized egg does not get implanted in the thing. So there

are multiple reasons but one of the reasons can be where the poor quality of ovum coming out correctly and that is where if we can come up with a much more better form of HMG which is much more standard so be it patient A or patient B let us increase the chance of the doctor making that lady's IVF cycle successful and that is where the research is coming from. So the HMG market itself is around 200-300 Crores but also if you see since the HMG had an issue, a lot of doctors actually use recombinant FSH in that case to get the product done, but they would still prefer a pure HMG if they could get the result. Putting something recombinant is also good, but it is just FSH. HMG is basically a combination of FSH and LH and when you have a better form or purer form of HMG I think Ferring's Menopur is the biggest example and they are doing a wonderful job globally, still the drug of choice would be then pure HMG rather than the rFSH and that is where we feel that if we can launch this molecule and that is why our trials are successful and we feel we are quite getting good results and we are doing sort of a time lapse study also with a doctor here in Mumbai, where we actually are understanding the entire menopausal cycle of a lady, actually once we give the lady the injections of our HMG how was her issue before and once we give her our HMG injections, how the quality of ovum and the entire ovulation cycle has become so upgraded. So such things also help us to address the bigger market. So that is a 200-300 Crores of the HMG plus the market of the rFSH and then followed by other innovations like Botulinum Toxin we look at new drug delivery systems which are like I would say topical or which are in the form of type B for pain management, so we try to get these different things done. I am not saying that we are successful, we try to work on 10 things, maybe six or eight of them fail, we are only successful in maybe two to four but this helps us to maybe come up with some differentiation which eventually we can cater to the market. So again the different markets and different things will be there but we are trying to make a mark and make some difference there. So I hope I answered your question. So I cannot put a number to it, but it is different segments and different products giving us different opportunities.

Adityapal: Understood. Thank you so much for highlighting and congratulations again.

Pranav Choksi: Now before we move on to the next question, there have been other questions from the market in terms of the new I would say Penem block and the DCB also. So there have been some questions that why the DCB got delayed and when we have been talking about some work, so I will try to answer those questions also. So just to share that DCB was planned to launch last year and we had all the equipment and all the inventory, everything we are holding since more than a year but then there is also question of getting an approval of prize from the NPPA department. So luckily around a month ago, we got a prize approval for Piperacillin Tazobactam but unfortunately the price increase was only 15% and I think that price increase was not able for us to justify the launch of the Piperacillin Tazobactam because the MRP is around close to Rs.400, 450 and 15% does not cover the cost of the bag. So then we decided that as Meropenem is the only product which looks viable now so basically products which are above Rs.1000 or 1500 which are in MRP what I am talking about where the cost of the bag can be justified. We are trying to talk to the NPPA and explaining them USPs of our product and the benefits of no dilution errors and no

cross contamination and complete collapsing bag with no atmospheric air getting into. So we are trying to convince them that why of 15% maybe a little bit more than 15%, we are demanding almost close to 40-50% but why 15-20% is not enough because innovation requires that additional push for us to go and get that extra valuation done. So we are trying to do that, but however, let us see, we are trying our level best to put our case towards the Government of India and that is the reason we are below. I think the second part of their question was once we launch it what sort of attraction would we expect. So again let me clarify that these dual chamber bags would not completely replace the vials, so vial market will still continue to grow which is anyway going to be part of our product basket we are just giving differentiated products where our doctors can always give this option additionally to their patients depending on their profile that this is additional thing which is much more of a safer product. The patient compliance is better as well as the administration compliance is also much more superior than what it is otherwise. So this is where I think we feel that the product is much more superior. I think it is going to be a great thing.

Moderator: So we have the next question from the line of a Yash Tanna from iThought Portfolio Management Services. Please go ahead.

Yash Tanna: Hi Pranav Sir thank you for the opportunity and congratulations on a good performance. Sir I wanted to understand on the cash flows front since last year it seems to have improved because of decreasing inventories, but our trade receivables have again been on the higher side so can you tell us the reason for this ?

Pranav Choksi: So I think two reasons for that specifically, if you see that we also have right now created this new Sparsh division, where the entire impetus is where we directly bill to the hospital and the hospital cycle of payment is all the way between 60 days to 120 days depending on their consumption, which is normally there. So that is one of the reasons we have seen and of course assuming 3 Crores per month for the last three, four months, I am assuming that is one of the reasons it has gone up. Secondly all the contract manufacturing business of Gufic, on paper it is almost 90 days, but we look at almost 120 days which is there, so when you factor in the contract manufacturing in Sparsh which is the two reasons which we feel that it is there. So collection is coming in and moving on, but as and when the turnover is increasing, these are the two main divisions which is a little bit stretching our collection cycle as of now.

Yash Tanna: Right Sir. We are expecting Sparsh to grow to the run rate that you called out and that means that this should remain on the higher side, even going forward, right ?

Pranav Choksi: So, I will tell you the reason. So there were two options and this was the dilemma which we had, earlier when we were selling in critical care or infertility sometimes when we try to push the distributors for payment, there was always a leakage of margin which was happening down the line and that is where sometimes the interest costs for us the year is all around maybe 8% to 8.5%

plus or minus, but sometimes just because the hospital pays the distributors after maybe 90 days or 120 days or even sometimes 150 days on a higher set, I am saying very extreme side otherwise 120 days they used to take the margins of almost 20% and 25% instead of the designated 10% which we have. So as a company we always felt that if we have to give an additional credit of around 60 days or 90 days at the same time we are getting real time data what the hospital is buying, at what rate they are buying, what is their consumption potential versus what is the buying from us so I thought this was a small price to pay because interest point of view, if I consider 8% on a 12 months and then two, three months, even if I consider around close to 2%, that is a small price to pay against the 25% the additional 15% I was paying to a channel partner and I had no access to data. So yes, you are right even when we increase it to 6 Crores I would still like to deal directly with the hospital in those cases why are these channel partners where we control the collection because the transparency and the pricing especially the margin dilution is not there.

Yash Tanna: Right definitely makes sense and one question on the borrowings. So what is our debt repayment plan now and we have also raised some money so what is our debt repayment plan now?

Pranav Choksi: So right now I think the debt repayment would be done by November because the announcement was in October, so the entire 99.99 Crores which was received from Motilal Oswal via the preferential offering would be going towards that. So, 50% of the 99.99 would go towards term loan and the remaining would go towards the CC limit. There also we are waiting the term loans so the moment the term loan gives us the benefit of where there is no prepayment option coming up which will come up in maybe April and will come up in next June- July next year. So we will be using the same amount which is parked in the CC limit which has the same interest percentage to be paying off the long term thing. So this is what we are planning. So you will see this effect in, I would say December or I would say March balance sheet when it is out.

Yash Tanna: Sure Sir got it. Thank you and best of luck.

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

Ayush Mittal: Good afternoon everyone. So my question was similar to the last participant around the weakening working capital. So though you have been explaining that it is because of the extended payment cycle by our customers but then if we look at our position like we are the contract manufacturing partner to most of the major MNCs and we bring a lot to the table in terms of new innovations, lower cost and so many other things that we do, so why are we not being able to control our credit cycle and also the inventory management like overall working capital, if I see it was improving really well over the last two, three years and now it has deteriorated quite a lot so that is where I would like to have some more insight?

Pranav Choksi: Let me answer your inventory question first and of course Roonghta Sir is also there he can maybe back me up once I am done. So the inventory cycle if you see historically of Gufic and otherwise also only during the time of COVID we had I would say squeezing of the cash flow cycle, I think we are making it today and it is really going to the patient on the end of the week, you get my point. Otherwise we were trying to put channel on CNF level and the level at our Navsari stock and we used to keep maintain some stock because any injection when it comes I will just explain to you so let us say any injection the raw material comes, the raw material takes almost 15 days to 20 days to test. After 15 days to 20 days to test it takes approximately I would say production of around five days, followed by lyophilization of another maybe five to six days. Then there is another facility testing of around 15 days. Then after that there is a logistics of around maybe six or seven days and this is why I am talking about the majority of the turnover because this is including exports and this is including the domestic market at the same time. I will come to contract manufacturing separately. So contract manufacturing contributes to around 20-25%. So I will come to that separately. So because of this the entire stock of RM which has to be kept, the entire stock of the WIP which has to be kept because even during WIP there is also a question of having certain tests which have to be done which sometimes they have to be sent for example I will tell you for HCG and HMG, once a vial is made we need to send it to a external testing laboratory because of animal testing we come to know the potency of the product. The same thing we used in our statins, the same thing with Botulinum Toxin also. So in all these cases we need to wait for almost a month and month-and-a-half after the production is done for the product to actually be used and send to the market. So that is one reason for the inventory and also one of the reasons we have also spoke about in the earlier call, the major inventory of almost 22 Crores which we see right now also is because of the dual chamber bags which we have been carrying forward since last year, which we were supposed to launch last year around maybe Q3. We are still stuck because the NPPA permission has not come. So I hope now it should come because the permission has come and the Meropenem permission will come now in Q3. We hope so with the desired MRP depending on the judgment of the honourable government but we feel that we can launch the dual chamber bags and that would help us to remove this 22 Crores inventory at least by the next year. The third thing is the reason for inventory a lot of validation batches are done, so today before we get into Indore a lot of R&D is done and then there are validation batches done in Navsari which might be for Navsari export or it might be for Indore also, where we have to take three batches at least which is a minimum batch size and then once from there we show our tech transfer to Indore or we use the remaining batches to make those years which are eventually used to also register the product in international markets of choice. Like I will tell you when the Germany business started so Vancomycin batches were taken I think in 2017 and then the actual approval came by 2018 and then by I think January 2019 it was shipped with only a one year shelf life because that was the only thing which was possible, even though we had a three year shelf life I think almost one and half years went away in this entire process and then we had only one and half year left on the shelf life so this is more or less what we do with validation batches. When we go to Indore and there will be US markets involved, we will have to carry inventory for validation batches till the actual approval comes until the US

comes for inspection. So we will be carrying maybe 5, 10, 15 product validation inventory for maybe a period of a year or year-and-a-half also till the actual approval comes for our generics also to start off with. Forget the ANDAs which we will be filing later on. So this is question about this coming to the contract manufacturing part for which the trade receivable is an issue and the main issue there is be it a overall cycle thing which has normally come especially after COVID when the inventory cycle got dropped off, be it Abbott or be it a Glenmark or be it X, Y, Z I can name five to seven companies which are the major contract manufacturing partners of us. They all have now made it mandatory in the PO that it is a 90 day cycle which is there. The same 90 day cycle we give it to our third party people where we buy our products from also. In the pharma industry according to me and this is what we follow we almost follow the 90 day cycle where the actual money comes after 120 days. So this is the main reason which I feel by which this is done. We of course at the same time it is not something we are good. I think the domestic marketing in terms of our own branded business that is something which is really improving and it is not the detrimental of that thing is not much more, it is only related to the Sparsh and the CMO. Our own branded business the cycle has been much more healthy on the contrary it is improving also quarter-by-quarter. I think these are my feedback, but I think Roonghta Sir may you can add if I have missed out something.

D Roonghta: For the current quarter it has jumped to 215 Crores compared to 175 Crores there is a jump of around 40 Crores and if I add GST 12% average, so there has been increasing in debtors by 90 days it has gone to around 50 Crores and remaining is because of the Sparsh Division where they calculate more than 90 days. Average our debtor days is around 97- 98 days including GST.

Ayush Mittal: Pranav Sir you also highlighted like we have been emphasizing on a direct branded business which goes to the consumers, how much would that be of overall business and in that segment what will be the net working capital?

Pranav Choksi: So let is put Sparsh out of it. Without Sparsh also it will be around close to 52 to 53% would be our branded business in India.

Ayush Mittal: And in this what is the net working capital days?

Pranav Choksi: Inventory cycle put aside, if I just put my first sale in the market we get our money average between 45 to 50 days.

Ayush Mittal: Thank you.

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

Ami Shah: Thank you everyone. If you have any further questions, please feel free to reach out to our investor relations team. I will just repeat the disclaimer before we end the call. The information, statement and analysis made in this document describing the company's objectives, projections, and estimates are forward-looking statement and no representation or guarantee is expressed or implied is provided in relation to this document. The document should not 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 statement where there is a new result or new information of future events or otherwise. With this we can end today's call. We thank you all for joining.

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