"Gufic Biosciences Limited
Q3 FY 2022-23 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY 2022/23 Earnings Conference Call of Gufic Biosciences Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Ami Shah: Thank you. Good evening and a warm welcome to Gufic Biosciences Limited Earnings Conference Call for the Third Quarter of Financial Year 2022-2023. I have with me Mr. Pranav Choksi, Chief Executive Officer and Whole-time Director; Mr. Devkinandan Roonghta, Chief Financial Officer; and Mr. Avik Das from Investor Relations team to give the highlights of the business performance of the company and to clarify all the questions of the investors during the call. We will begin the call with the business highlights and overview by Mr. Avik, followed by financial overview by Mr. Roonghta.

After the opening remarks, the operator will open the bridge for Q&A sessions. But before we proceed with the call, please note that some of the statements made in today's discussion may be forward-looking and are based on management's current expectation, and this may be viewed in conjunction with risks and uncertainties involved in the business. The company assumes no responsibility to publish or update or amend modify, revise any forward-looking statement based on any subsequent development, new information in future or except as required by the applicable laws in force.

This call is being recorded, and the playback of the call will be made available on the website of the company, shortly after the call. The transcript of this call will also be submitted to the stock exchanges within the stipulated time frame.

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

Avik Das: Thank you, Ami, for your opening comments, and welcome everyone to our call. I'll start with giving all an update on the Indore project. And subsequently, I'll follow it up with some of our key developments in each of our business verticals. So with respect to Indore, as you all are aware we have focused all our energies in ensuring that we are on track with commercializing our Indore facility, I think it's about time that we give you all a deep and detailed insight as to the progress of the facility. So with respect to our civil work, we are very happy to inform that our main plant, our utility block and our R&D block, have nearly completed 90% of the civil work. With respect to the main plant, we're about to commence the work on the pre-engineered building, which is the last floor of the facility.

Now coming to the equipment. With respect to our imported equipments, which are primarily lypholizers, we've received both our consignments albeit there was a bit of a delay given the lockdown in China. However, we've been able to get both our consignments and the installation is underway. Now with respect to our indigenous equipment,in cases like HVAC systems, transformers and our manufacturing tank and vessels. We received the materials on our side. The installation is under progress. And we do not foresee any challenges in terms of sourcing any of these equipment. And we hopefully should be on schedule to complete the installation. There may be some delays, and we'll keep you informed with respect to that. Now coming to the various divisions we informed you of the launch of Sparsh as a division.

We are very happy to inform that we've completed our primary and secondary research on the field, which involved reaching out to nearly 5,000 hospitals where we map the potential for around 100-130 molecules. These are specifically molecules of interest to us. Some of them, were already present and some will be new molecules that will enter. As per our initial assessment, we foresee the annual market is somewhere around INR 500 crores to INR 600 crores, and we have now geared up to gain around 20%-25% market share within the next year.

So this involves creating a supply chain to source these molecules to manufacture these molecules and also a very innovative method to reach these molecules to the various hospitals. We've already hired a dedicated field force in this particular division. And we've started reaching out to these hospitals, and we should start seeing the division give us commercial results very soon.

Now coming to Arisia, as the Arisia clinic is now fully operational and our friends and well wishers were there. In Mumbai, we request you to come down and visit and take a feel of the clinic yourself. And we've also started the knowledge sharing initiatives in Arisia and as one of our initiatives, we started training gynecologists over there. And every 15 days, we are hosting various speakers from around the world.

Now in Aesthaderm, we've started the process for registering dermal fillers. We are very hopeful of launching these fillers also very soon. With respect to the dual chamber bag, we are awaiting approval from NPPA and we've kept the commercial launch on hold, and we'll keep you all updated as soon as we receive the approvals. On the international business side, we've received three product approvals, one each from Colombia, Kenya and Philippines. That's about from my side. I'll hand over the call to Mr. Roonghta for updates on the financials.

Devkinandan Roonghta: Thank you, Avik. I will just give a financial highlight for Q3 of the financial year 2022-23 versus the Q3 of financial year 2021-22. The total revenue for the current quarter is INR 178 crores against the previous year Q3 quarter INR 174 crores. EBITDA forcurrent quarter is INR 34.1 crores and previous Q3 was INR 34.2 crores. EBITDA margin for current Q3 is 19.1% and in Q3 of 2022 was 19.7%. Profit before tax for current Q3 is INR 27.3 crores. And last year, it was INR 28.7 crores. Profit after tax was INR 20.3 crores for Q3 financial year 2022-23. Last year, it was INR 21 crores. The PAT margin for the current Q3 is 11.4%. Q3 of last year was 12.1%. Thank you.

Ami Shah: We can start with the Q&A session.

Moderator: Thank you. We will now begin the question-and-answer session. Any one who wishes to ask question may press "*" and "1" on the touchtone telephone. If you wish to remove yourself from the question queue, please enter "*" and "2." Participants are requested to use hand set while asking questions. Ladies and Gentlemen we will wait for a moment while question queue assembles. The first question is from the line of Gunit Singh from CCIPL.

Gunit Singh: So for financial year 2022, we saw a top line of about INR 780 crores. But right now for the trailing 12 months, we are doing around INR 680 crores. So do we see us surpassing the revenue that we did in the financial year '22? And also what is the reason for the revenues to be lower for the trailing 12 months as compared to FY '22? That is my first question.

Pranav Choksi: So thank you for your question, Gunit. Pranav here. So just to give you a little bit of a background about the revenue as such, if you see the revenue, which is going to be in 2022 to 2023 on a run rate is around 170 Crs per quarter. But last year, when you saw 780 Crs, that also had an impact of the COVID also coming in. So there was almost -- like we have mentioned in the previous calls also, almost to the level of INR 175 crores to INR 180 crores of revenue was a one-time revenue, which we had recorded last year due to the COVID reasons. And if you compare the revenue before that, then it was 487 Crs on an annual level.

So from 487 Crs, we had gone to 780 Crs, where we had clarified that there was a onetime revenue capture of COVID and COVID-related drugs, either due to COVID or due to black fungus and mucormycosis and that was a onetime thing. On the contrary, this year, we have taken more than INR 20 crores -- INR 22 crores of stock back, which was built assuming that the Wave 3 and Wave 4 would have come, but that has already been adjusting the net revenue this year. So that's the reason you are seeing goes 487 Crs to 780 Crs, whereas in this quarter, you are seeing an average of a quarter revenue of 170 Crs. So that's the reason. So overall, as a company, we are still growing by minimum 15% to 20% if you factor out the onetime COVID revenue.

Gunit Singh: And I have two more questions. I'll just take them out right now. So the first question is that we historically have seen our operating margins to be around, say, 10% to 13%, 14%. But currently for FY22 as well as right now for 9 months, we are seeing our margins to be around 19% to 20%. So I would like to understand how -- I mean, the reason for the jump in margins and whether this will sustain in the future and what would be a steady-state operating margin?

And the second question is that you mentioned that the Sparsh project that we have launched, we expect to gain about a 25% market share in that. So I would expect to understand by when can we expect this to reflect in our revenue figures. So given that the market size is about 500 Crs – 600 Crs, can we expect that in financial year 2024? Can we expect about INR 100 crores to INR 125 crores from Sparsh? This is my second question.

Pranav Choksi: So I think in terms of your margin, I will request Roonghta sir to answer that point after I finish my reply to the Sparsh question. So I will take the Sparsh question first. So Sparsh, just to clarify what Avik said. The total molecules which we have planned to take is around close to 300 odd molecules, which represent a total of INR 9,500 crores market capture out of the total INR 1,90,000 crores Indian pharmaceutical market. So out of the total market of INR 1,90,000 crores is the total Indian pharmaceutical market these 300-odd molecules in Phase I and Phase II comprises of about close to INR 9,500 market representation. Out of that, we have launched around 130 molecules in Phase 1. The total 130 molecules in Phase 1 comprise of at least INR 7,500 crores market representation. Out of that, we have selected that down the line in the next 5 to 7 years, we should be capturing a INR 500 crores to INR 600 crores market input in terms of Gufic as a company.

So from that, we feel in the first 2 years, we should be capturing a 20% market share, and you rightly said. So we are looking at the launch has happened in December. This quarter will be such that for the first 2 months of the launch rather than starting the sales, we have spent a complete energy and effort first, to just snap out the market because once the team gets busy in operational matter, we don't spend time in market intelligence. So we have actually not only for the period starting from December first week, all the way until actually not even January and February 10, we have asked them to just go around and capture the market where we have keyed in and mapped out the primary, secondary and tertiary, I would say, hospitals and nursing homes in the area of operation in the current geography.

So current geography is around 5 states, just to clarify, and that is where the numbers are coming on a more, I would say, a titrated manner. And then we will be gradually if it works out in the 5 states we will go to the other states also. Coming back to this market. So this market intelligence will help us in 2 regards. The products which have been selected in Sparsh will be different from what is there in the critical care division. So once we get more insight about the market, this list of primary, secondary and tertiary, I would say, healthcare centers will also be used in terms of market penetration by the critical care division, where we already had more than 200 people also.

So we are looking to expand our current market share and our penetration in Indian market, getting more data on a real-time basis in terms of hospital counter rather than geography right now. So when we go for hospital counter, the business becomes more predictive. At the same time, we're also using some specific, I would say, these data tools or we're looking at some data analysis points by which we can come to a little bit more of a predictive business down the line and keeping in mind also the consumer ever selection.

So depending on the geography, depending on the area, depending on also the PIN code, we can come to know what sort of prescription, guideline or drug usage guideline is being followed in different parts of India, which helps us to also come up with a better basket which is catering to very unique markets rather than having a common strategy for the rest of India.

So this Sparsh, we'll start capturing revenue from February end. So this quarter, you will see approximately 2 months of revenue capture from Sparsh. And going forward, yes, we hope, and that is our target that we are looking at close to INR 100 crores run rate at least not in 2023-24, but definitely for 2024-25, we should look between INR 100 crores to INR 125 crores going forward. This is answering your second question coming back to the margins, I'll hand it over to Roonghta sir to please answer your question.

Devkinandan Roonghta: Sir, regarding your EBITDA margin, if you see the EBITDA margin from the financial year 2016-17 till 2019-20, it was in the range of around 13% to 15% when our turnover was in the range of around INR 250 to INR 400 crores. Now from 2020 onwards, till 2023, the margin has been improved from 18% to 20%. And the turnover has also been increased from around INR 400 to around INR 600 – 700 crores. Whenever there will be increasing the turnover the fixed cost limit not going to increase in that ratio.

For example, our Salary costs in 2016-2017 was around 15% to 16%. Now it has come down to around 12%. So whenever there is increase in turnover the same ratio, that is not including the fixed cost. That was the reason that our EBITDA margin has been increased. And whenever in the future also is the top line will be going to increase, EBITDA margin will further increases.

Moderator: The next question is from the line of Yash Tanna from ithoughtPMS.

Yash Tanna: My question is, we have given a guidance of 15% to 20% on an Ex- COVID basis last year. And I think now maybe to meet the lower end of the guidance, we'll have to do about INR 200 crores quarterly run rate. So do we still maintain the guidance of 15% to 20%? And over the medium term, that is next 3 to 5 years, what are our growth aspirations?

Pranav Choksi: So thank you, Yash, for the question. And yes, I think just to tell you, there are a lot of growth levers, which we are working on side by side and as I have been discussing. A new manufacturing facility, which is coming up in Indore, which will be commissioned by June or maximum by first week of July 2023. We'll definitely add in that number which we see because the capacity in Indore would be around 1.5x. So the current total capacity of Gufic would become almost 2.5x more than we are currently. So that would definitely help the number.

Of course, Indore will take time because we are looking at a regulated market strategy along with the Indian domestic market growth. So initially, when we look at the capital utilization of around 15% to 30% to 60% in year one, year two, year three, automatically, the numbers would start streaming.

We also are looking at our domestic business presence in all these six, seven divisions, now eight divisions if you consider Aesthaderm and Arisia also. So there, we are looking at organic growth coming in from there also. We have got some, I would say, reduction in the growth percentage in terms of the contract manufacturing and it would not increase that much, but the international business kicking in and more and more country registration coming in, we foresee that averaging -- even though the base of international market is low, we still feel the higher growth percentage there, followed by the organic growth in the domestic market, plus Indore kicking in would help us to ensure the 15%-20% growth year-over-year.

Of course, there are other business avenues in terms of research. As we have mentioned, the biological research is happening. And that's one of the reasons you have seen the other expenses in this year go up because a lot of our, I would say, basic research into biologicals apart from even toxin new drug delivery systems and also some new peptide is still continuing. So all these are being worked out in the background to ensure in year two, year three or four, year five also, along with Indore, we maintain a minimum run rate of 15% to 20%.

Avik Das: And just to add what Mr. Choksi said, last year, we did our top line at about INR 170 crores of COVID revenues. So if you exclude that, we would still be doing a growth of about 15%, 20% this year.

Yash Tanna: We consider a base of INR 600 crores, INR 620 crores, right?

Avik Das: Right.

Yash Tanna: And in terms of our newly launched products, I'm referring to the last investor PPT, products like Ceftazidime-Avibactam, Dydrogesterone, dual chamber bags. So how have these been performing? And I believe out of these Dydrogesterone would be a significant molecule. And one of our smart peers have also been about 3% market share. So how has that been for us, new product performance do?

Pranav Choksi: Yes. correctly said, just to clarify that, as we mentioned in the last call also Ceftazidime-Avibactam was something where the R&D had happened in Q3, and you were looking at the launch in Q4. So on January end, we have launched the molecule in India. So the Ceftazidime-Avibactam revenue would start kicking in from the Jan to March quarter. That is number one. Number two, Dydrogesterone tablets, yes. Since we have launched in around two different divisions, and now we have a third SKU also being launched for a specific market, we foresee that this brand should come close to INR 10 crores brand in the period of less than 2 years ago, less than 1.5 years.

So that is something which has further increased in the third quarter, and we foresee a traction happening in the fourth quarter and so on. The dual-chamber bag specifically Biapenem what we got the permission plus we have the permission for Meropenem and Ceftazidime-Avibactam also.

But since we had applied for NPPA, NPPA has given us only a 15%, 20% MRP allowance beyond the current limit, which was not feasible. So we have re-represent our case to them once again in the month of December and once again in the month of January, then we were told that Meropenem MRP would be under reconsideration. And hence, we were asked to wait till the actual MRP of Meropenem is established by them for a normal conventional dosage.

So now just, I think, a couple of weeks ago or 3 weeks ago, the draft of the MRP of Meropenem has been out. They will be now finalized hopefully in the next 1 or 2 weeks because they give the industry 10 to 15 days to come up with their feedback.

So once the MRP of Meropenem is established, then we will be able to apply for a new MRP of Meropenem. So having in a nutshell dual chamber back, even though we are ready, we have more than gung ho even the market is very gung ho about it till we get the NPPA formation to launch the product, we will not be in a position to launch the product. So I foresee that even normally, we do not launch any major products in the last quarter.

So I'm looking at now assuming that the procedures should be done in Q1 to launch the product in Q1. So the revenue of the dual chamber bag should start capturing from Q1 2024. So that is about the 3 time lines of the 3 different products, which are being launched.

Moderator: The next question is from the line of Ajinkya Jadhav from KamayaKya Wealth Management.

Ajinkya Jadhav: I would like to know how is the traction in and out of Stanox?

Pranav Choksi: So Stanox is, I think, doing reasonably well. I think as we had mentioned last time also, the growth percentage month-over-month is still being maintained and it's going on, but we hope to close very close to I believe almost 4x sales over last year, hopefully, by the end of the year, keeping in mind Stanox. Zarbot unfortunately, we initially thought of getting the claims from our digital division, where we had 200-plus people while having a special team done. However, then we realized very soon that critical care caters to a very different -- I mean to -- even though it's part of the critical care system, intensive and anti-infective is the specialty and we needed much more catering to neurological in terms of their basic knowledge and core competency also.

So from November onwards, we were in the process of recruiting a separate team. which would be catering to the neuro, I would say, Neuro care division. And we also have recruited some specific, I would say, experts who have already handled the toxin in the past with your previous companies. So we feel that even though Zarbot has launched and it has reached a basic growth, it's not growing as fast as Stanox.

So with the new team coming in who is much more, I think, well linked and I would say, much more technically adept in handling the toxin with the right target audience, we would feel that it should start kicking in from March or April. The team had -- was recruited all the way from September, they start joining in from November and the recruitment should be over by February end. And from March, you'll have a full team who is dedicated to just selling Zarbot in the Indian market space. So this is the current scenario.

Ajinkya Jadhav: And from Arisia, how many batches of the doctors have been passed? And what is the size of the batches?

Pranav Choksi: Yes, Arisia is more of a training thing and right now, there have been more than, I would say, 5 batches which have gone through, but it's more of a collaboration where we discussed more about the new strategy or the new technical practices which are happening in cosmetics as well as gynec cosmetics as well as we have tied up with Dr. Namit Megan, who is from El Sante who worked on Vaginal rejuvenation and vaginal tightening, body and face countering also.

A lot of, I would say, information base, which gets done and almost, I would say, 5 batches have gone through. Apart from 2 batches dedicated to, I would say, the Cosmetic gynaecology remaining up all body and face countering. So from December when the Aricia was initiated till February now around 5 batches have gone through.

Moderator: The next question is from the line of Chetan Phalke from Alpha Invesco.

Chetan Phalke: **Pranav Sir** so when do we expect EU certificate for Indore plant? Is it in place?

Pranav Choksi: No, sir, as Avik said that the plant will be commissioned by around June 2023, then there will be 3 batches, valuation taken for the target molecules and then you'll have to wait for a 6-month stability. So we are looking at the calendar year 2024 for all equitation, should start kicking in, be it EU or the other countries? And eventually, if we find a suitable partner, then it would be the other regulated markets of America also. So the timing will be 2024.

Chetan Phalke: Okay. So do we intend to fill our capacity with CMO contracts till the time we avail the certificate?

Pranav Choksi: Yes. So already we have in touch with, I would say, clients who are country specific. At the same time, we have some specific molecules, which we will be marketing in India through Sparsh. So as you know, we believe in one single global quality. So having there a lot of new products, which we will be right now launching in Sparsh, which would be manufactured in Gufic right now.

It would be outsourced from a third-party vendor, but they will be eventually made in Indore. So Indore would help us for the economics of scale and the right pricing and the right quality to make this product started. So the initial capacities would be with Sparsh plus CMO plus then there would be some domestic market also, I would say, new products which we are working on, which we'll be launching. And eventually, then you would have international business kicking in.

Chetan Phalke: So for CMO business, how does the margin profile replace because we have been seeing that over the last couple of quarters, there is a compression in CMO margins across the pharma value chain. And a lot of CMO plants have come up in the last 2 years. So are we seeing any pricing pressure? And do we intend to reduce our prices, especially in Lypho- in order to maintain or retain our market sir, whatever is your outlook on the pricing?

Pranav Choksi: So again, I would say that the CMO margins are actually not what is eroding in the last 2 years, very frankly. I would say the reason that the margins we are seeing is being, I would say, compressed, saying purely in the critical cash paper injection space would be the increase in inventory. So if you see post COVID, not only in India, but around the world, a lot of inventory had been kicked in.

And because of the inventory being kicked in, assuming that you have a wave X, wave Y, wave V would come, a lot of people were stuck in that and that had led to some sort of a slowdown in the CMO business overall. Having said that, most of the products which are manufactured in April to September 2021 would be getting either expired or would be sold out in the next 6 months, we feel that CMO would still be intact. Keeping in mind the competition, there are very unique products which we are working on rather than -- of course, at the same time, we're working on certain need to basket products also which we keep on happening. But economic of scale always help us to maintain the same margins.

To answer in a nutshell, when we do a proton from inhibitor, yes, we understand that the margin would be 25% on a very high volume. But then there are certain infective and anti-infective an export market start kicking in when the margins grew as high as 45% to 50% also. We also have to be very clear that these are the gross margins. And in such CMO practices, there might be only the factory overhead, which needs to be amortized and not any other employee costs or other expenses also.

So we still feel that CMO would be an important factor going on, especially when we have new markets kicking in. As we have mentioned in quarter 2, our Penem block also has started, so the

Penem block was started in Q2. We started the validation done and we have started filing dossiers for the Penem block in this Q3 and Q4. So we hope that even the Q3, Q4 Penem outlook also will start helping us from the next 2 years.

So again, I say it's not about the margin shrinkage. It's all about just the question of being in that time reference, which should automatically ease out end of this year.

Chetan Phalke: So for the next 12 months, we don't see any significant pricing pressure or pricing cuts per say

Pranav Choksi: Not due to CMO. I think the only thing pricing pressure would come with the NPPA pricing is there and the Chinese API prices or any other API prices go for a nutshell, keeping in mind environmental conditions of fuel and war, etc. So those are the only reasons we'll get into pricing pressure Or like I said, most of the products which were coming to a near expiry or would be expired people have just the last 2 quarters, 3 quarters just reduce the price and just load them in the market to ensure there's no loss of inventory. So that's the thing which we will not see in the coming future, except for environmental conditions.

Chetan Phalke: And sir, my second question is on the receivables and the debt. So in September quarters, I think our receivables have grown up significantly to INR 280 crores. And how are they looking now? And is this -- do you see this cycle reversing because I think the receivable days have gone up to stretched payment cycle-wise by most of the CMO partners. So what is your take on this that how do we intend to fund the receivables?

Because as you move with our CMO business will become even bigger from a current base in those facilities. So it will require a huge working capital constrain in the current run rate. Just trying to understand how the working capital cycle will look like? Will it remain around the current level? And how do we plan to target given that our debt is already around INR 170-odd crores. So just trying to understand your take on this overall situation?

Pranav Choksi: So I'll answer that question in the form of a business point of view, then I also request Roonghta sir, to answer it in form of the balance sheet point of view in terms of the basic numbers. But we have to understand one thing that post COVID, one thing has been very clear and even after COVID also, even the last 6, 8 months, have you have seen the entire, I would say, a credit line in India, especially has been losing from -- I'm talking about the CMO businesses first and then I'll come with the normal trade and so on and so forth.

So the CMO business, which at one time was around 30 to 45 days to 50 days or 60 days, even big companies, as on name them. But even the top 10 companies of India now moved on to a 75 days, 90 days normal credit period, keeping in mind the inventory that we want to keep going forward. This might be one of the reasons that a lot of inventory must have been piled up, and that's why they must have pushed for that. I don't think that they will change this payment terms going forward because it's something which is apparent, not only for injectable, it's also all through for oral topicals and so on and so forth.

Exports, as we are getting into more and more markets. So initially, the exports was mostly, I would say, advanced or in 30 days. Now since the channel partners are also increasing and we're helping them to invest and we are helping expand their basket also, we also have invested or investing in much more by keeping some sort of inventory for new products also. So the export market also would normally go between around 45 days to 60 days, which was around 30 days. So that another 15, 20 to 15, 30 days, things would go up.

The domestic market is something which we have still maintained because normally, the average payment cycle in the domestic market was around -- ideally, it was, of course, 21 days and 30 days, but we always Gufic maintained a 45-day cycle and that 45-day cycle still continues to hold through. So that the domestic market on an average, if I take the averaging out of it, then it's a 45-day cycle which we look forward. So again, if you see in terms of number of days, we see the working cycle to be around the average base for these very different businesses.

Again, API is a very small part of our business, but still API itself also has normally domestically 60 days and internationally around LC 60-75 days to pay, which now we get paid. So on average, we always see payments between 60 to 90 days, and that's why we always have a revenue, I would say, outstanding of around 75 days plus or minus on an 60 days to 70 days plus or minus on a debtors point of view. These are my comments as a business point of view. I'll ask Roonghta sir to add if I missed anything.

Devkinandan Roonghta: Thank you, sir. Basically, you see the balance sheet of the face for last September quarter as well as the March 2022. Average our debtors is around between 87 to 92 days and affording to 82 to 90 days the average receivable is working between 82 to 90 days. And if we convert into amount, it will come from if our turnover for the quarter is around INR 175 Crores, INR 180 Crores, then the receivable will be INR 175 crores, plus 12% GST average, it will go to INR 200 crores. That is above our receivable.

In case of our stock, working as to the stock, we are owning around 1.5 months stock of raw material, around 1 month stock of WIP, around 35 days stock of finished goods around 7 to 8 days stock in transit. So there will be around three, four months stock of raw material finished goods and WIP and that also involved around working capital of inventory of around INR 135 crores to INR 150 crores. That is a total working capital requirement of the company.

Moderator: We have the next question from the line of Aman Vij from Astute Investment Management.

Aman Vij: Just one request first and then question. So any reason we have not uploaded any presentation this time or any remarks on the number of products which we keep launching and the update on that?

Pranav Choksi: Good question. Actually, this input came last time from the last question since we are giving the presentation and then we are repeating the same in the introductory call, if it highlights only one avenue. So this time, we thought we'll just have the introductory call and give only the highlights which are important, and then we come with the Q&A. But not only you, but I have got some 2, 3 people also say that, at least, let's keep the presentation intact for that remains as a reference point, and then we can directly start the Q&A.

So we thought that and one more reason we were planning to have from next time, only update in every 6 months just to keep that information being more valid. So we were looking at a view. So no other reason is just that based on the feedback, we took a call that it's much better than --

in order to have avoid redundancy, just keep a single channel of communication and information being out no other reason.

Aman Vij: Finally, there are 2 questions. The first question is on the Indore site. So you talked about what utilization levels we are targeting, and it will be a mix of domestic and CMO at least for first 1 or 2 years before we get the approval and move towards export. So for the first year and second year, maybe even third year, if you can talk about what will be the likely mix of CMO versus domestic?

Pranav Choksi: Very frankly, I think I would never say no to any CMO business, so I don't know how the CMO business comes. But as per the efforts and ask for the structural approach to CMO, which is going in case, we would still look at like a 50%-50% model going forward. Because like I Sparsh and our own brands would be there, we foresee that the Navsari infrastructure, keeping in mind the current registration which we have would be completely utilized and will be completely chocked up blocked by December or Jan 2023.

So we will need to have all spill over business coming from Indore. More importantly, the current unit 1, which we have in Navsari, which was currently also catering to serving WHO and Pix approved country. those also will be transitioning to Unit 2, which is the EU approved facility. So we are planning to convert once the Indore facility starts the entire unit one will be converted into a dedicated, I would say, hormone injectable block to spearhead our infertility business also.

So Navsari then would the Penem would be almost would be very EU GMP factory for general products and then that will be complemented by Indore. So I still feel I'm telling you right now 50-50. There might be an instance that it might be 70, 30 or 60, 40 here and there, but this is a ratio what we foresee would start off with because we see spill over business from domestic business coming in and being taken care of, not only by critical care or infertility but also by Sparsh from Indore.

Aman Vij: Just one clarification on this. So Navsari you said will be converted to a fully hormones injectable facility?

Pranav Choksi: I'm just repeating again. So there is no ambiguity and no confusion. In Navsari, we have 3 blocks apart from the API block. The 3 blocks are including the legacy factory of Gufic, which is Unit 1 and then Unit 2 is the EU approved facility, which is approved and of course, where the business of Germany and what you call Portugal and UK and Canada and South Africa and all other even India businesses there.

And the third block is also the Penem block, which was commissioned in Q2 2023. So I am right now talking about this unit 1, which is a legacy block, which has been in part from a long time because when Indore will start coming in, we will have excess capacity for the general lyophilized and ampule things.

So then that gives us enough foray to convert the unit 1 into a dedicated -- I would not say it's a dedicated block for infertility products like HCB, HMD and FSS because a part of that block will be converted into the recombinant product also which will be dedicated to recommend FSH, which is again for infertility. So that entire unit 1, which is a legacy factory will be converted into infertility products manufacturing site.

Aman Vij: And what can be the peak sales we can get from that unit 1 after the conversion?

Pranav Choksi: I'll have to check on that exactly and get back to you, but I will keep a note and hopefully, I think we'll get the details and we share it with you in the future.

Aman Vij: Sure. Second question and final question is on the -- so for 9 months, if you look at ex-COVID, if you remove the COVID portion, if you can talk about growth in our various divisions like critical care, fertility care, international business and API, the growth number if we remove the COVID portion so that it is like-to-like comparison?

Pranav Choksi: So again, I would say critical care will be flat. The reason would be very simple because we have taken a majority of the return, like I mentioned, we are taking more than INR 22 crores of written off last year and this year also. Most of the return would be owing to the critical care and of course to some accessory divisions, which we could not sell last year, which were kept in the channel because the channel was keeping it equipped for the Wave X and wave Y, which never came.

So if I consider the net of that return, then it would be a flat revenue, but I foresee that with Ceftazidime-Avibactam coming up, and if I compare then on a 12-month basis, like there would be definitely some 3% to 4% growth in the Critical Care division. Again, on the net sales this year versus the last year sales of -- I mean, removing the COVID products, and that would be the number. infertility and healthcare are 2 divisions, which have taken the major growth this year.

So even though our contract manufacturing has reduced, the 3 divisions which are doing considerably well are healthcare, followed by Ferticare and then followed by exports, which are growing in more than double digits, and they are riding the wave and taking it forward.

So healthcare has done 100% achievement. They are till they're in 100% achievement and they’re now almost on an 18% growth. Fertility is little bit on a higher growth, but that would be also because of some new products like dydrogesterone, what we have added up, that would be close to around 23% to 25%. I'm saying on a year-on-year basis. Again, you have to factor in mind that last year in fertility also during covid, we sold some Enoxaparin, which were part of infertility something which was due to the COVID. If I remove that, then it will be more than 35% to 40%. If I remove it a comparing infertility this year with last year, removing the COVID products.

Third, exports is something which is growing much more, but the base is so small that even though it's growing by double digits, that field is not being there. And then, of course, I forgot to mention Stunnox is the fourth one. Stunnox is something which is also growing much faster, much higher. But again, the base is too small for it to have a relevance on the total revenue of the company. So these are the four things which are driving the growth this year.

Moderator: The next question is from the line of Reet Jain from AGIPL.

Reet Jain: My question is regarding the geographical split. Currently, the major business as in India, what is in the medium term would be that the company planned to take the international market for sure?

Pranav Choksi: So if I understood your question right, you would like us to talk about the geographical breakup of our revenue. Is that the right understanding?

Reet Jain: Geographical split, yes. Current and what could be in the future.

Pranav Choksi: Okay. So firstly, we divide the business into India and export. Exports in further the country, which is leading the growth for us would be Germany, followed by Colombia followed by Sri Lanka. I mean I can go into individual countries, but I mean I'm dealing in a nutshell, these are 3 there. Going forward, we are getting more aggressive into EU and we just got approval of UK in, I think, I believe, in the third quarter, and then we have filing some tenders there. So we should see markets like UK and Portugal because already our existing market for us also start catering much more.

This year, finally because of the COVID, we've got enough time to work on certain dossiers, which we have worked on this year, and we will be filing dossiers in around four more European countries, namely Spain, France, Italy and Netherlands. And those would be catering going forward much more. Southeast Asia as a whole also is now coming at position three. Europe is first and then followed by South America and then followed by Southeast Asia. In Southeast Asia, we also include countries like Sri Lanka and Myanmar and Philippines and whatever because they also -- even though they're part of South Asia, we consider as part of the Southeast Asia strategic business unit.

So these markets also now are expanding in terms of our growth going forward. India will still, of course, cater to a majority when I mean majority would be around, I believe, a 70% plus 75% plus revenue in terms of formulations. Going forward also, we foresee, as I've already mentioned all these years, India would be a strategic market for us going forward in terms of our growth. So India, followed by these other countries coming in, we would maintain the ratio. Even now with Indore coming in, I foresee the ratio to fall to 65, 35 or maybe 60-40, not below that. India will still be one of the growth stories going forward.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Ms. Ami Shah for closing comments. Over to you, ma'am.

Ami Shah: Thank you. Thank you, everybody, for joining this call. I hope all your questions and queries are satisfactorily answered by us. And in case if there are any further questions that has been remained unanswered, you can reach out to us or Mr. Deven Dhruva from SGA, our Investor Relations partners. Thank you once again. Hope to reconnect in the next investor call.

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