



“Gufic Biosciences Limited Q4 FY'23 Earnings Conference Call”

May 30, 2023

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**MANAGEMENT: MR. PRANAV J. CHOKSI – CHIEF EXECUTIVE OFFICER
& WHOLE TIME 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**



*Gufic Biosciences Limited
May 30, 2023*

Moderator: Ladies and gentlemen, good day and welcome to the Gufic Biosciences Limited Q4 FY'23 Earnings Conference Call.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ami Shah from Gufic Biosciences Limited. Thank you, and over to you ma'am.

Ami Shah: Good evening and a warm welcome to Gufic Biosciences Limited Earnings Conference call for the 4th Quarter Financial Year 2022-23. Along with me is 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.

We will begin the call with the business highlights and an overview by Mr. Avik followed by financial overview by Mr. Roonghta. After the opening remarks, the operator will open the bridge for Q&A session. I will now hand over the call to Mr. Avik. Over to you.

Avik Das: Welcome to our Investor Call. I will give you all the key highlights of each of the divisions to begin with Critical Care.

Criticare

So, within Critical Care we have completed a detailed door-to-door market mapping for the various molecules that are offered by Sparsh Division. We have surveyed almost 8000 hospitals and we have commenced supplies of medicines to a few of these hospitals. And in the coming financial year we have devised strategies to increase our penetration and coverage with these hospitals. We will also be increasing the universe of the hospitals in the coming year for this division.

We have also received the DCGI approvals for Biapenem and dual chamber bag. The launch of Ceftazidime+Avibactam was very successful and we have received good initial response. And in the coming year we should be able to increase our market presence in this particular product. We also plan to launch the novel once a week anti-infective Dalbavancin for the first time in India in H1 of the coming year. Both these molecules will also be offered to a select few CMO partners of ours in the coming year.

On the penem front it gives us lot of pleasure to inform all of you all that most of our captive requirement now is being fulfilled by the facility at Navsari which was initially being outsourced.

We have also initiated the process of filing for registrations in certain regulated markets from this new facility at Navsari. Within this division we also plan to launch the oral form of Isavuconazole. We have already launched the injectable form. The launch went off very well.

Ferticare

Now coming to our other division, which is Ferticare, the launch of Dydrogesterone was successful. And to increase our presence in this particular market, we also plan to launch a sustained release form of the same in the coming financial year. We had earlier also informed that we have market leadership position in hMG and hCG and we have now launched a more potent form of hMG which reduces the chances of failures of IVF cycle. And innovations like these will help us solidify our position as a Top 5 player in the Infertility segment.

Our trials with Thymosin Alpha injection for endometriosis is progressing well and we will keep you all informed of further developments and when we have any to share.

Healthcare, Stellar and Spark

Now coming to the other divisions, which are Healthcare, Stellar and Spark, the trials for a new product which is derived from Boswellia Serrata has gone off well. And this particular candidate will be used for management of asthma. And we plan to launch this in the coming financial year. Our brand Sallaki continues to be a market leader in Boswellia Serrata products. The launch of new zinc-based multivitamin has also gone up well and has contributed to sales in our mass-market division.

Moreover, in this particular division we plan to launch a novel analgesic in the coming year, Polmacoxib it's a first-in-a-class NSAID for relief of signs and symptoms in osteoarthritis. This is one of its kind drug which will definitely improve the way patients are currently treated with osteoarthritis.

Aesthaderm

We have successfully completed a split phase trial between Stunnox and Botox. Stunnox continues to increase penetration in the market and Gufic I and our brand Stunnox is now the second largest player in the Botulinum Toxin market in India. We have also initiated the process of registration for a range of fillers to complement and augment our basket of products in this category.

On the international business front, it gives us immense pleasure to inform you all that we clear the ANVISA Brazil Audit successfully without any observations. And moreover, we have received four new registrations and details of which we have mentioned in our Investor Presentation.

And a quick update on our Indore project. So, we are going as per the timelines that we had planned. And we anticipate that the validation of the facility will be completed by Q2 and subsequent to which we should commence our commercial production.

Now I will hand over the call to Mr. Rooghta who will give an update about the financial performance.

Devkinandan Roonghta: Good evening. I am giving financial highlights of Financial Year 2022-23 versus 2021-22 and Q4 of 2022-23 versus Q4 of 2021-22.

First off the thing is financial results of 2021-22 versus 2022-23 is not comparable because in our Financial Year 2021-22 the total revenue includes around Rs. 170 crores of sale from COVID related product. Out of the total revenue of Rs. 779 crores if I minus the COVID related sale of Rs. 170 crores, the net sale is Rs. 610 crore against which the current year sale is around Rs. 691 crore of sale.

The EBITDA last year was Rs. 151 crore. This year the EBITDA is Rs. 137 crores. The EBITDA margins of the last year was 19.4%. This year it has improved from 19.4% to 19.9%.

Profit before Tax last year was Rs. 127 crores, this year it was Rs. 117 crores. PAT margins last year 16.3%, this year 15.5%. Profit after Tax last year was Rs. 96 crores this year it was Rs. 80 crores. PAT margin 12.3% last year, this year 11.4%. If I compare the Q4 of the current financial year versus last financial year, the turnover of last financial year was Rs. 162 crore, this year it was Rs. 173 crore. EBITDA was Rs. 32.7 crore this year it was Rs. 32.8 crores. EBITDA margin has reduced from 20.2% to 18.90%. Profit Before Tax last year was Rs. 26.2 crore, this year Rs. 23.9 crores. The PAT margin was 16.1% last year this quarter it was 13.8%. Profit after Tax was last year Rs. 20.3 crore, this quarter it was Rs. 18.1 crore. The PAT margin last year was 12.5% this year 10.5%. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer sessions. 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, you may press “*” 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 Bhavya Sonawala from Samaasa Capital. Please go ahead.

Bhavya Sonawala: Just a couple of questions, the first, just wanted to know if you can throw some light on the receivables and inventory there has been a spike up, so just to understand on the inventory side has there been some lag of demand or if you can help us understand that?

Pranav Choksi: So, firstly I will answer the inventory point and then I will come to the receivables point. The inventory point because of two specific things are there, if you see the major increase has

happened because of the launch of Sparsh which has been there. Sparsh has been envisioned for, with a launch of around 85 SKUs in the first phase. And in the next phase there are going to be I think 45 more so 130 molecules have been selected. So, these are the same molecules where we are going to do sort of process validation as well as dossier creation also because the efforts which we take to make one dossier, we thought that the sales, once the three validation batches are taken, the sales can be done in Sparsh in India. And the same amount of dossier can be created for international markets. So, one of the reasons is Sparsh.

Second reason is that also, we are, if you recollect that we were supposed to launch the dual chamber bags in I think September to October 2022. Now because we did not get the approval for the price increase from the government, for Meropenem and Pip, Tazo, I mean we got an approval of 15%, 20% however our efforts are still on to go for a higher, I would sort of what you call price basket because the costing is not conducive in that 15% to 20%. We had ordered keeping in mind our six-month forecast, because these bags are coming from Europe. So, six months inventory of bags which have been ordered from that time are still staying in our thing. And anyway, what have decided now because Sparsh has come in also Critical Care is there. We will be launching Biopenem and Teicoplanin which are anyway not control by NPPA right now. Side by side our efforts will be on to get these bags approved for Meropenem and Piperacillin-Tazobactam also. So, Meropenem the NPPA clarification has come one on 1st of April. So, now I feel that maybe it is a question of a month or two that Meropenem clarity should come.

So, I feel that inventory -- majorly because of these two factors, I am seeing, of course there are other factors also because we have now other divisions and we have other things also, so inventory overall also we are also keeping a much more healthy position. But the major two, I would say non-current reasons are Sparsh and dual chamber bag. And both of them should be harmonized in this year going forward. So, this is about inventory.

Coming to receivables also, if you see post-COVID most of the people in terms of contract manufacturing or exports for that matter, because suddenly we saw that inventory being built up and then COVID also our sales suddenly went down. And we also had to take some stocks right. People have now stretched the normal payment terms to 90 to 120 days that I am referring purely to the contract manufacturing as well as to export sales. So, 90 is the official terms, but normally this has become sort of a norm in terms of exports and whether it's contract manufacturing. There have been some I would say new parties which have been opened up in terms of export in certain countries. There it is mostly related to I would say hospital based businesses in big countries also like UK or Germany for that matter. But anyway, keeping in the transit time the entire testing time, QP release are of 90 to 100 days a normal payment cycle what we normally I mean working capital is normally what we envision. So, this is the two main reasons for the trade receivables as well as inventory which I mentioned before.

Bhavya Sonawala:

Just last question, when we had the call just after COVID you had mentioned Rs. 170 crores of revenue and plus you had also mentioned that because of COVID lot of our verticals couldn't

show the true performance and with respect to that how have the verticals performed according to you in your expectations, have they been in par with the company or particularly your expectations?

Pranav Choksi:

Yes, so I would say there are mainly three verticals which are further divided into eight different divisions, but I would say Critical Care and Infertility, Gynec and then Mass marketing are the three main verticals of the domestic pharma space. Critical Care took a hit this year because there were two things, inventory was build up post-COVID where the sales just fell drastically as well as lot of channel-based inventory was taken back by us to normalize the outstanding and all that. So, Critical Care suffered last year and we saw a degrowth happening in the Critical Care division which I feel with the launch of cefta, avi and others should go ahead so it's not a problem.

So, this year I think we have taken more than I think Rs. 26 crore to Rs. 28 crore goods returned only in the Critical Care division last year which was a big hit for us, which is reflected in our top and the bottom line, which was I think a one-time we have to take a hit.

Infertility is something which I was very confident has really paid up well. We saw more than expected returns in Infertility. And it's not only with the launch of I would say Dydrogesterone which is still a decent component but still a small component. However, the hormone business the hMG, the FSH, the hCGs and Cetrorelix and also with our other hormonal range of Estradiol also picked up really well, Enoxoparin to some extent helped us but it was more or less stable. So, inferti was the main growth driver for us in the domestic market space.

Followed by Healthcare with not only the Sallaki brand but also Gufic and being launched and also like Avik mentioned the multivitamin being launched. And now going forward also from this year to next year with the launch of Polmacoxib and one other SKU in the cannabis range, we are expecting that this Healthcare should continue the growth.

Spark, even though it's a smaller division in part of the mass-marketing division also grew by almost I think 22%. But because of the small base it's not adding much in the total revenue followed by Stellar and Aesthaderm. So, Botulinum Toxin is another like I said, it's a small base but that is growing at a much faster rate. I think it will be of significance value maybe post the end of this year or maybe by Q2 2025 it will have relevant value in the total revenue of Gufic. So, other divisions have picked up well but the Critical Care hit was something which we had to take last year and we had to get it done.

Moderator:

Thank you. The next question is from the line of Nirali Shah from Ashika Group. Please go ahead.

Nirali Shah: Could you please provide an update on the contribution of Ceftazidime + Avibactam to our overall revenue. And also, it would be helpful to understand the revenue breakdown between in-house and revenue generated through CMO?

Pranav Choksi: So, if you refer the overall pie chart which we have given in the Investor Presentation there you see a total revenue breakup I would say specifically albeit if you want some specific percentage, I can always ask, Avik from IR to get back to you.

Coming to Ceftazidime + Avibactam, as you know the patent went off in Jan end 2023, we launched the molecule on the day of I mean just you know as a patent was getting off and we had worked before. February/March I would say again I can give you numbers but compared to the entire revenue it might not be even thing. From April/May you will get a much bigger number where you will get a complete full financial year. But however, if you are still and I am just trying to calculate the number, but I still feel it should be around some, because there were two Ceftazidime + Avibactam is sold by us not only as our own brand in the Indian market, but it is also sold as a contract manufacturing option for our clients.

So, again revenue I might be wrong, I will ask Avik to get back to you, but as a numbers of vials I am aware, because we just finished the review last week. And there we have sold some only in the month of Jan all the way to March close to approximately 98000 to 99000 vials combining both contract manufacturing as well as this our own domestic market also.

Nirali Shah: Yes, so my question was actually how much percentage do we earn from in-house and from CMO?

Pranav Choksi: So, again domestic marketing India would be more than 50% to 55%, CMO will be approximately close to 20% to 25%, I may, I think I can Avik to correct me if I am wrong, but according to me it's 55% and 25% as of now.

Nirali Shah: And my next question is, could you provide some insight into the sales performance of Stunnox in FY'23 and if you could share a guidance for FY'24 as well?

Pranav Choksi: So, I will divide Stunnox as we say I will divide Botulinum Toxin business in two parts, like I mentioned the Stunnox was something which has a legacy more than a year now. Zarbot is something which we have launched which is the same Botulinum Toxin but specially for medicine as well as neurological I would say conditions. So, of course Zarbot was launched only I think in 2022/2023 mid. Stunnox had a complete 12 month run rate. So, Stunnox of course has become almost two and a half times like I said the base is quite small the two and a half has no relevance over last year.

Zarbot is still taking time, because I feel that initially we tried launching the product through our Critical Care division. Then we quickly realized that our Critical Care team doesn't have

equation with the right target audience who handles these specialty products of neurological conditions as well as Spasticity, Blepharospasm and Hemifacial Spasm etc. So, we got a new team actually recruit by October/November 2022 and of course the launch was in December when we invited an international faculty to come and train them personally. I had trained them in our Arisia center upstairs.

So, January is where the actual Zarbot launch has happened. So, Zarbot is still way below our expectation because we have around 12 people team completely selling Zarbot. And we are going to expand to 16 but very high, it's like a special highly effective taskforce. You can say like one of team who have been there, done that and worked in companies earlier who have sold Botulinum Toxin.

Going forward I feel of course Stunnox our idea would be to again keep that run rate of at least one and a half times to two times of revenue of previous year. Zarbot since the base is almost nothing we foresee that Zarbot also should come at least close to at least 40% to 50% of Stunnox sales.

Nirali Shah:

Continuing ahead what is the current market share that the company holds in the relevant market for Stunnox and Botox, like if we are ranking second in the world, so if you can?

Pranav Choksi:

No, not in the world, I hope I will be ranked second in the world, I will be very happy. Right now I am not ranking second in the world right now, I am ranking second overall in represented area for Botulinum Toxin in India as per ORG IMS. And where we currently again I think maybe I can get back this data to you at the end of this call, because I will ask Avik to quickly go through the IMS and give you sort of a percentage which will be a clarity.

Also, just to clarify and this you should know that the total market represented by us is taken in two ways, one is the total market which is imported. So, we take the number of vials which are imported into India with most of the products except Gufic, Stunnox and Zarbot are imported into India. And we come to know our market size from there because the current ORG IMS does not capture the entire market. So, even though we are second, whatever I will tell you will be as per the ORG IMS percentage. However, I know that the market for a fact is much bigger than that what is actually represented in the IMS. So, just allow me some time, I think I will request Avik to quickly go through IMS and just give us a percentage if that is possible.

Nirali Shah:

And third question is what is the current percentage of revenue that's allocated to R&D And does the management plan to increase this percentage in future?

Pranav Choksi:

Till now very frankly we were spending more than 10% to 12%; last year was higher, this time also 10% to 12% because of some biological platform. This year we might take a little bit, I would say reduced percentage earned spending on R&D. The very fact is that Indore will be starting very soon. And a lot of our energy revenue and resources will go in the validation batches

in Indore. So, there will be some sort of a balancing which will be done at our end that we don't want to go overboard that we continue to spend crazy amount of money in R&D as per our size as well as we have to spend a lot in creating Indore's validation plan for certain molecules also for export. So, there will be a balance, so this year it might fall down to maybe 6% to 7%, what I feel, only for this year. And again, from next year we want to come back to that average of 10% to 11%.

Moderator: Thank you. The next question is from the line of Nitya Shah from Kamayakya Wealth Management Private Limited. Please go ahead.

Nitya Shah: So, I just wanted to understand that considering there are so many different kind of products being launched in the market what's the plan with the field force going ahead. You have around 1000 med reps at the moment, what's the outlook on this, how do you plan on leveraging this currently so we can improve our growth, I just wanted to get some understanding on that.

Pranav Choksi: If you see since the last three year, even before COVID we have not gone for any expansion of our field force except maybe the new launches division which is like Aesthaderm or Stellar or now even it will be Sparsh. So, in the existing divisions what we have, we are emphasizing PCPM and that is where the emphasis and the progress is also happening. So, when you take division like Critical Care or an IVF or Healthcare or Spark for that, which are our legacy divisions now because now they have been there at least five, six or seven years in what you call an action. So, there we have not gone for any expansion and we continue not to do so.

If there is a new product like Zarbot we have a special task force coming in because that we tried in Critical Care did not work and we needed a separate focus. So, the field force expansion as of now would not be there in the legacy divisions. Sparsh has been launched with the field force of around 33 people aiming with a PCPM of least 10 to 15 lakh because they have a good product line to go for. They already have reached 5 lakhs by, I mean I am saying 15th to 20th May numbers I am talking about, that is right now PCPM. So, Sparsh and I think to some extent Aesthaderm and Neuro Care would be a division for expansion, but that would hardly be 5, 10 or 15 people division wise. So, maximum I would say 20 to 30 people on an annual basis would be added in the field force of Gufic in India.

Moderator: Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: My question to you is on the Center of Excellence that we have set up. So, firstly when did we started and how much have we spent on this entire facility?

Pranav Choksi: So, the Center of Excellence already has started as a dry run all the way from December 2022. And we already have had more than 4 to 5 different trainings there and workshops there, both for Neuro Care as well as facial and body aesthetics. And we are hoping now that along with

more and more training setup and now because of the new, different I would say indications of toxins as well as now fillers also being added to the portfolio in the next four to five months. We are going to do more of these trainings of toxin, fillers as well as energy base devices where it can be, I mean where the entire basket can be little bit more holistic. So, it has already started and it's continuing right now.

Yogansh Jeswani: And how much have we spent on setting this up?

Pranav Choksi: I believe it should be in the tune of something around I think Roonghta Sir might be more accurate with the numbers than me, I will request Roonghta sir to please throw some light over it. I don't want to give you the wrong number.

Devkinandan Roonghta: It will be around Rs. 9 crores total we have spent on this project cost.

Yogansh Jeswani: And one of the thing you mentioned that you will be adding more fillers and toxins and few more capabilities. So, will that be something that you have products in pipeline and the infrastructures in place so we won't have to spend more instead it will be just scaling this up. So, basically what I want to understand, is there any more capital that needs to go into this Rs. 9 crore?

Pranav Choksi: No, so I think very good question, so if you see last year was a year where we have done most of our CAPEX and maybe it will continue till only September this year and most the CAPEX should be done, the major CAPEX. Now when you talk about just the Center of Excellence it has been brought with the mind of training and knowledge impartation and toxin is something where we already have in place and we are working on of course new types of toxins and new drug delivery systems in botulinum toxin, but they are not capital intensive, they are mostly regulatory intensive.

Coming to the fillers, it has been taken a very cordial call that we would be importing the fillers first because there is no use investing in CAPEX of making the fillers till we actually have economic of scale to market them. So, the next two years, three years we would be just importing the fillers from abroad and that's where, it's already in place, it has been selected, the file has been sent to the Honorable Drug Controllers General of India, I think in the last quarter. And we hope to get permission like I said by Q2, 2024.

And in terms of the energy devices, it's just a thing that we already have invested this money in the energy devices where we can actually show and train doctors that how sophisticated machines can be used along with toxins and fillers to get a much more desirable chiseled effect. So, today as you know, the toxin and fillers help to contour the body and help to get wrinkles done as well as lead to some sort of a facial improvement, but if we use energy devices the entire output is much amplified.

So, answering your question there is no further CAPEX required for that it's just now knowledge impartation which will be happening from the Center of Excellence going forward for the next three, four, five years and so on.

Yogansh Jeswani:

If I understand this correctly, so Center of Excellence will help you bring together the doctor community and explain to them how particularly you can use these Stunnox and Botox and basically all this Botulinum Toxin. And you are trying to educate and grow your market in India, right.

Pranav Choksi:

You can say yes, so if you see I feel that the market of toxin and filler and even energy devices still in the very neonatal stage in India where a lot of people's awareness is not there. And at the same time like you said there are lot of amazing doctors we have in India who know how to use it very well, but they want to impart training to also the new generation or to the new category of doctors who also feel that this is a right profession for them to follow, apart from just the basic MBBS or just the basic Dermatology.

So, not only facial and body aesthetics, there are a lot of clinical I would say indications of Botulinum Toxin like Hemifacial Spasm, Blepharospasm, Spasticity, Cerebral Palsy I mean there are more I can keep on going on and on and on. So, lot of these in migraine for that matter, lot of people are not aware in India that even Botulinum Toxin can give a relief for such matters for a period of three to four months. So, our center just serves the purpose of linking the trainers to the people who want to be trained at the same time we have our own faculty which we have in-house Dr. Rajesh Lalchandani who also has lot of international networking where we try to get faculty from abroad also, plus Dr. Lalchandani also has his own knowledge base which he also pass it on.

I will give you a small example, there are a lot of gynecologist, I would say IVF specialist or gynaecs, who wish to do a mummy makeover once the baby has been delivered. So, vaginal tightening and vaginal rejuvenation is post the delivery and that is something which we also today we want the doctors to be imparted more and more I would say new, I would say techniques as well as new therapy exposure by which we can help them to serve their patients beyond their conventional field of expertise.

So, basically in a nutshell I am telling you but I hope you get my point, I feel that tomorrow the sales of my products will only increase once we share knowledge. And once the knowledge is shared there will be more and more people who will be getting, who will be able to do service new customers. And then new customers will get aware that such therapies are also available for us to experience. So, that is concept behind the Center of Excellence.

Yogansh Jeswani:

So, the next two, three years our effort is not to generate revenue from the Center of Excellence but rather creating awareness and educating people so that we can push sales of our products two, three years down the line.

Pranav Choksi: Absolutely and that has been the purpose of Center of Excellence, we foresee that the revenue of this Stunnox and fillers and or even the other things will be much bigger if we can reach to that level of penetration all India level. So, yes you perfectly summarized it well, thank you sir.

Yogansh Jeswani: And secondly like you were mentioning about one of your learning with Zarbot that you had to clubbed it with the Critical Care division while Stunnox was in another division. So, now how is the structure like, have we started putting in a team which will completely focus on this and what would be the size of it?

Pranav Choksi: Right now, like I say it's around 11, 12. We have our separate team who have worked and handled toxin in the past. Their entire role is just handling only Zarbot nothing else as this moment. So, they are a specialized team who have either worked with again, I don't know if I can name the companies, but they have worked with the big MNCs who are innovator of the product toxin as well as the Indian companies who are out licensed it from abroad and done it. So, we have a handpicked team of people who can actually talk about the different indications in a much more sophisticated manner, and also create a need for our new doctors to be trained by these experts whom we already are in touch with. So, that is for Zarbot. For Stunnox as we already have a separate Aesthaderm team, there apart from Stunnox they also are handling certain other cosmetic products and now very soon in the next quarter or two they will be handling fillers also.

Yogansh Jeswani: And one question if I can squeeze in lastly, could you share the number of Sallaki sale for FY'23 whole year?

Pranav Choksi: The number, I don't know if I have the number right now but Sallaki is a big group along with liniment and ointment and tablets and also Nucart-OA also be, I don't know if we include it or not because that's also part of Boswellia Serrata. But I will get back to you, I will ask Avik if he can get the data ready and we can give by the end of this call, please.

Moderator: Thank you. The next question is from the line of Rajat Setiya from iThought PMS. Please go ahead.

Rajat Setiya: My question is with regards to the Sparsh division. So, we are targeting many hospitals and in probably smaller towns. So, what's our strategy to really convince the hospital management or the doctors there to take our product or try our products, because I am guessing competition there would be pretty high.

Pranav Choksi: I think very interesting, so why the concept of Sparsh, and I will just give you a little bit of light to that. When we did the IMS data study we saw that out of that Rs. 180,000 or Rs. 190,000 crore which was the total Indian pharma market size as per the data we were covering in Critical Care only and x percent out of it. There was still a y percent which we could manufacture or we

were making on contract manufacturing, but we still could not take it to the different part of the country.

At the same time our Critical Care was doing a good job in handling and we are still doing a good job in handling I would complex products first time in India products or something new anti-infective or some internal medicine products which are very unique and which are very different. But now I can't use their bandwidth to maybe sell an entire basket of products which form a part of the ICU setup.

So, we saw that there are in Phase I these 85 products and then another 45 products and then we have something else lined up. At the same time, we have in-licensed some unique wound management products which in the ICU setup or in a hospital setup which will be very differentiated than the rest. You rightly said most of these molecules can be me to or can be a commodity but the important thing what we offer is that we have seen that Indian market is very fragmented and there is a big, I would say by the time a manufacturer sells the product to end user uses it there is a lot of layers. At the same time access to a high-quality product at the right basket at the right price is still a big issue to go.

We foresee that the India pharma market should at least double or triple up in the next I would 8 to 10 years as what the data has been given to me and I don't mind it sharing that data with you also. So, we saw that post-COVID also or even after that a lot of number of secondary and I would not say rural markets, let me just rephrase it because even in an area between Mumbai to Navi Mumbai or Mumbai to Vapi also there are lot of these secondary and tertiary, I would say primary and secondary hospitals which are coming up where our field force being only maybe 180 or 200 cannot go to them. So, their bandwidth is only that they can manage maybe maximum 30, 40, 50 counters, 50 hospitals they can go and explain their products to only maybe 100 to 150 doctors. But there are so many other counters which want quality medicines, which have the need of a complete basket. And they want good quality and they want it EU approved facility or they wanted from a regulated facility and at a good price provided the supply is good and at the same time they can offer everything under one thing.

So, we actually came up with this unique things that we did our own I would first RCPA for the first three months all the way from December, January, February, even till March till the sale started, we were just collecting in five states or I think seven states I will just recollect that how many primary, secondary, and tertiary hospitals are there, beyond what we already are meeting via our Critical Care field force. We identified there are 8300 or something which I have mentioned in our Investor Presentation where we have never set foot in the market and everything, each of these hospitals have a potential of at least Rs. 50,000 or Rs. 60,000 per month say all the way till around 10 to 15 lakh per month also potential going forward.

And this is a good RCPA to also pass on the information to our Critical Care team or to our IVF team, because Sparsh team has a very fixed set of products which is not much overlapping with

a Critical Care or not at all overlapping with the IVF setup. But a lot of these centers are also the centers where you not only use these products but Critical Care high-end products also. And some of these centers have now even you know I would say divided or expanded into more of Infertility sort of a setup, you know gynaec, delivery, Infertility also have coming up, multispecialty setups are coming up now in secondary hospitals also.

And we have now a single channel partner in all these areas so we completely bring the entire layer to a single layer. There is the, how much are the hospitals buying? How much do they buy? When do they buy? What is the average rate what they buy? What is their frequency? And how is the trend of their product? How are they moving from gram positive, gram negative is it seasonal or is it related to maybe any, does any new molecule come up with the new trend in prescription? So, a lot of database is coming from the Sparsh division via these softwares and these apps which we use which we are trying to apply to the Critical Care and Infertility division also. So, that is how has been the approach of Sparsh. And touchwood, till now it has been quite rewarding to us specially not only for Sparsh itself in terms of revenue but also for the information and the data which we are getting from a grassroots level. Again, I am repeating it's not for rural market, even the urban market to rural so we have not actually reached the rural yet. Only going from the urban to even semi-urban we have found so many centers which we have not gone for and now we feel that oh, we can put someone a person here, we can put a person there. But we are going step-by-step, first we are filtering the possible getting the business output seeing the range which matches our product much more. And then we are assigning people on a step-by-step level till we reach a particular PCPM and then only expand by one more person handling those counters.

Rajat Setiya: So, you are saying basically people, there is demand for quality products and there is a gap there, that's what then comes the competition.

Pranav Choksi: Yes, because of the multiple layers the pricing is, what you see is now the price is the main point but there are so many layers are involved. But once you remove the layers and we try to reach the end customer, you feel that they want, I mean the price is quite good sometimes even better than a Mumbai or a Delhi or a Bangalore, but they only need service and consistent meeting. And sometimes we feel that there is a better profitability in these centers than even high-end centers?

Rajat Setiya: What I have also seen is that lot of regional local brands, I mean their compliance, their product may not be very high and they are reaching out to the hospitals and selling through them because there is good volume that they get through the hospitals rather than reaching out to the retail outlets. So, I mean how do we because ultimately it will come down to who is giving money to the hospital, I mean what kind of margins are we giving to the hospital versus to the other guy, so in such scenarios how do you plan to make a name for yourself?

Pranav Choksi:

Very frankly I think very interesting point you brought out, so when we started off, we thought that the only driving force behind Sparsh would be just the margin between what we give them and what do they get from others and how much we are doing it. But you would be surprised to find out and even I was surprised very frankly I would not say that price is not important, but more than price sometimes what we see is more important is the service, the basket which we offer and also to that matter even I would say the right access to quality.

So, today, when I go and talk to them that oh currently you are this gram-negative injection which is fine, you have been using it for donkey's years and it has this thing, but now with the new sensitivity risk coming up there are more and more issues is coming up where resistance has come for this particular gram negative. Now you have this new gram negative product, which is out, which is I would not say the cost of therapy is doubled or even one and a half times or something, it's only 1.1x or 1.12x but because of this the entire ICU stay gets affected or gets reduced, I mean you have so much load on your ICU, I am just giving an example.

So, when we talk about all these things, I will just tell you, we have launched a new product which is licensed from U.S. is the SeraSeal. Now SeraSeal is a new product which is launched which is just for wound management, where a lot of people either cauterization which takes 30 to 35 minutes, where the blood loss is so much that a patient has to be given another set of bottles just to compensate that blood loss. Now when you have something where the wound, I would say can be sealed and the clotting can happen eventually after that and the wound can be sealed and the blood flow stops in 30 second to 1.5 minute depending on the patient's condition, you are saving a lot of volume of blood there. Such things become our entry point in the hospital and that's where the entire basket just enters after that, because you are giving them a solution which they don't have right now.

Today a surgeon after surgery spends 30 to 45 minutes to get a particular suture or cauterization or some sealing of wound and where blood is being loss plus he is wasting his time also in the entire process. When you give something where he is and out in 15 minutes or even 10 minutes I think he will always thank you that why didn't you give me this option before.

So, this is what our idea is, it's not only that we are there to talk price, price is always going to be there for everyone, but these services and these exposure and this awareness will not be created by regional people who just buy from a manufacturer and sell to the hospital and they act as middle men trading company or whatever.

Apart from that economies of scale has always helps us to become much more I would say durable and sustainable because we are really talking huge volumes with our base what we have right now. So, anyway we will be always in a better position to do all these activities, and at the same time give price to ensure that we will take that counter much better than the other players would be able to make.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: My first question is because this was the first non-COVID year at the company level, if you can talk about what is the PCPM range across the four divisions? And also you have talked a little bit about the MR additions and all those things but what is the current MR split among the three core divisions?

Pranav Choksi: COVID, like I said, we have not increased our field force in the legacy divisions in the last three years, maybe plus or minus 2% to 3% depending on new area or new geographies otherwise. I would say Critical Care would be leading with a PCPM last year would be another maybe around 7 to 8 if I am not mistaken, but I will still be corrected. I am saying infertility would be following after that with around 5 to 6 and then would be Healthcare, so it would be Healthcare or Toxin and Aesthaderm division side-by-side and followed by Neuro Care and then Spark and then Stellar.

And in terms of the field force the total marketing people I believe are around 1000 plus or minus. The first line or the MR level we might have something around maybe 700 to 750, I am saying of course this might not include Sparsh. Sparsh now coming in probably in terms of sales from March and April 2023 would be adding another maybe 50 people overall and 33 people in terms of the MR level.

I foresee down the line PCPM to further increase, our team is lucky because they have more products and they have these SeraSeal and other things which are almost Rs. 15,000 to Rs. 20,000 per vial so their PCPM would be expected to be one this year, followed again by Critical Care and Infertility going forward. But overall if I say on average we are hoping that we divide the company into Specialty and Mass marketing. And Specialty should be coming close to 10 as much as possible and maybe 8 for Infertility or 7 for Infertility. And Mass marketing we hope we can come to 3, around 3 lakhs per month as soon as possible overall.

Aman Vij: My second question is, if we look at our two main divisions Critical Care and Ferticare, so last two to three years one was growing the other was not growing, because of XYZ reasons. So, on this space do you see these first of all Ferticare continuing the strong growth like we did last year?

And on the Critical Care side, if you can talk about, we have launched some very innovative products like Ceftazidime + Avibactam, where do we see this product in terms of our ranking because a lot of other companies have also launched this product. So, for the next 1, 2, 3, years do you think we can be placed in the Top 3 or do you think no, it will remain maybe a small thing for us?

And also Dalbavancin has been delayed by almost 6 months, it was supposed to launch in Q4 if you can talk about the same.

Pranav Choksi:

So, yes, I feel that during that COVID Critical Care was going up and Infertility was getting affected. And last year rightly so Infertility got a good jump, good bounce back. I feel they will continue because how the April and May is progressing I am sure Infertility will continue the growth going forward and they should come close to their target this year. Critical Care I believe last year, I mean as two years ago was, of course I am trying to be as clear that at the time the country needed us, Critical Care delivered and we have seen I would say crazy numbers in the COVID year. Last year equally we see the lows because we had inventory pile up, we had high level inventory of Meropenem, Enoxaparin plus we saw Rs. 26 crores worth of return coming back. So, I see all that has been now done and taken care of.

So, I hope this year both Critical Care and I would say Feticare also should continue the growth. I hope both grow the way they are because I mean Ceftazidime, Avibactam we feel that it will be a big loss if we are not there in the Top 3. Internally I would aim for first, the way we have launched and the amount of contract manufacturing which we do for this molecule, because we make the basic API of Avibactam in-house and that is where the advantage is. So, we feel that first or second should be our target going forward, at the end of this year when we see the ranking of Avibactam going forward.

The market is quite good, Pfizer has done a wonderful job with Zavicefta and we feel that if we can also continue in our foray by educating more and more doctors about the molecule and maybe making them more aware, that would be really helpful. And I feel it will definitely play a role this year in terms of the numbers of recovery for Critical Care.

Dalbavancin like I said, it's something where we had to do a Phase III, the Phase III went well, we got the final permission, we are more than happy to launch now. Yes, Q4 we were supposed to launch, unfortunately Q4 because of the, I believe the change in DCGI, the DCGI also Sir took time, but I think he is going very step-by-step and we got the final approval now. And we feel that now maybe in Q1 maybe, I don't know if we have enough time to launch it in June but at least I am, you are right I think Q2 will be where we will see the actual launch of Dalbavancin.

One thing has to be kept in mind that Dalbavancin has been launched keeping in mind not only the domestic market but the international market also. Gram positive till now but not much in India as much it was internationally. Still Teicoplanin, Daptomycin and Dalbavancin are much bigger products in the international markets specially U.S., Europe and other markets. India this product would still be a product of reserve for the doctors initially. We have done right one trial against Linezolid and I would say Vancomycin, but we feel that certain specific indications beyond Critical Care like in Cardiac surgery conditions or even in ortho surgeries this product can be an excellent choice, with the ease of I think so you require only 2 injections on the first day and the third injection on 8th day, whereas otherwise the normal, conventional products

would have to be taken every day, you have to give the IV. So, the patient would have to be kept in the hospital. Here with this point the patient not necessarily needs to be in the hospital, post-surgery you give them, I mean on the day of surgery you just give them or post-surgery you give them two injection and then after that on the follow up on 7 days and give them the third injection.

There have been now new reports where all three injections are also given on the first day and you are getting it done with 2 injections or 3 injections depending the I would say the data of the patient and you don't need the 3rd injection also or so on.

So, this is a very unique molecule where I feel the challenge I would face that I would be happy to do it as a contract manufacturing first. My ortho surgery and my cardio surgery background is still something I have to build up on, so my Critical Care team will definitely try to work on our own selling of Dalbavancin going forward, but otherwise I feel that this molecule will take time to setup but it's a molecule of the future for India, whereas in international market it's already a molecule which is well established. So, Indore and Navsari for next year will be very interesting molecule for exports. For India you will start seeing it pick up gradually from year 1 to year 2 to year 3.

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

Adityapal: Just wanted to understand, so Sparsh will be a different vertical from Criticare right?

Management: Yes.

Adityapal: So, in terms of revenue potential say three years down the line, how are we thinking around it because since we are targeting and we are getting good demand also, so if you can just highlight that?

Pranav Choksi: Definitely it has a potential to supersede I am saying three to five supersede the, I mean become one of the major contributing revenues for us in Indian market, because of the sheer size of the basket what we have and the level of penetration we are getting into. And of course, like I said today Critical Care is a little bit more of a sophisticated specific marketing, specific medical input and new age products which have to be educated have to be really hit on the ground, but that activities is going behind it. Sparsh is where you just go for, like as the name suggests you just go to go for the penetration, the touch and come up with some unique in licensing thing which just gives us an immediate solution to an existing problem.

So, we foresee that yes the numbers should gallop much more. I think again, I would request you that I would be able to answer this question in a much more better way maybe at the end of 6 months or 9 months where I have at least proper 6 to 9 months of run of Sparsh then I can

become more confident about it. Right now, it's just the first two months of sales only till now, and till now it's positive. Once the money starts coming in the cycle gets over and then we get the repeat business in the next three to six months, I will be better to answer this question in a better way.

Adityapal:

Just another question, in terms of our international business, how much does it contribute as a revenue and also because we filed so many DMFs, what is the growth that we are looking at over there, because I can see that we grew at 25% this year and going forward because we are also launching new molecules.

Pranav Choksi:

Yes, so as the international base is smaller I think at one time it was 8% now has gone to around 15% of our revenue should be international both direct, indirect; what we do directly also and what we do via I would say other export agents also which are legacy export agent. So, this base is still small, rightly said as more and more geographies are being opened, like we just gave an example of ANVIZA we got a one-time approval during COVID which was mostly a one time, but now we had a proper full-fledged audit in the month of, I think in the Q4, 2023 and that audit went off well and we finally got the approval. So, now Brazil will start with at least two to three molecules. The UK, which has already have Vancomycin should now start with Teicoplanin.

So, we foresee that these are a little markets where we have a better chance of growing much more, even small countries like, I wouldn't even say small, but reasonable sized countries like Malaysia and Colombia are reacting well to us. And then once Canada opens up and Russia opens up; Russia is opening but right now only for one molecule but those Russia, Canada and South Africa another big mammoths apart from Brazil, which would give us a good numbers going forward. Again, in terms of growth yes definitely it would be one of the growth drivers because whatever we are compensating in terms of the loss of CMO we are trying to get by our exports and others. So, we hope that trend continues.

Indore will take time, Indore will come post Q3, 6 months we will try to take care of domestic business to get the validation batches done. And once Indore starts piling we are planning to open up more geographies which were beyond our reach till now. So, let's hope so but yes it would continue the growth percentage as what we have seen in the past.

Adityapal:

Just a book keeping question, there is a line item which forms in our operating revenue it's called Processing Fee, it's a very small item, in FY22 it was around say 636 million so just wanted to understand what it is, is it part of a normal business and how do we earn it.

Pranav Choksi:

I believe it's a loan licensing fee what we get. So, sometimes we give our factory to these clients for them to make their own products. So, we get just the conversion cost fee which is a very small part of a revenue.

Devkinandan Roonghta:

Yes that is perfectly right.



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Pranav Choksi:

So, I believe last year because of Remdesivir you must have seen a bigger number, because we did a lot of loan licensing for that, this time again we have come back to our original business which is more where it's our product which are being out-licensed or it's our products we given on third party, it's our product which we give for exports so that revenue must have gone down. So, the processing fee is nothing but the loan licensing charges or job work charges which we get from clients of our factory.

Moderator:

Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Ms. Ami Shah for closing comments.

Ami Shah:

Thank you. 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 statements, no representation or guarantee either 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 obligations to update or revise any forward-looking statements whether as a result of new information or future events or otherwise. With this we can end today's call. We thank you all for joining.

Moderator:

Thank you very much to the Management Team. Ladies and gentlemen on behalf of Gufic Biosciences Limited concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.