



SEBI Research Analyst Registration No: INH000009843

Gufic BioSciences Ltd (GBL)

Initiating Coverage

17th December, 2022

CMP: ₹212 | Target Price: ₹254.4

Upside Potential: 20% | Duration: 1 Year

Market Capitalisation: ₹2053 Cr

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Investors are advised to refer through important disclosures made at the end of the Research Report.



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ABOUT

Gufic BioSciences Ltd was established in 1970 by Late Shri Pannalal Choksi. Gufic is engaged in manufacturing and marketing pharmaceutical formulations in various dosage forms such as injectables, syrups, ointments, and lotions. Currently, Mr. Jayesh Choksi is the CMD of the company and his son Mr. Pranav Choksi is the CEO and WTD of the company. Dr. Balram Singh, President & CEO of Prime Bio Inc and the founding Director of Botulinum Research Center, MA (BRC) is also on the board as a Non- Executive Director.

GBL has 4 business segments- Branded domestic formulation (50-55% of annual sales on avg.), International business/ Exports (9-12%), CMO Business (30%-35%). It is also backward integrated into manufacturing Active Pharmaceutical Ingredients (APIs)/ bulk drugs (5-10% of annual sales). Gufic is transforming from primarily a CMO company to domestic branded and international sales driven company which has led to margin expansion. The Domestic business has 8 divisions which majorly includes CritiCare (around 50% of domestic business revenue in FY22), FertiCare (25%, aspiration to become one of the top 3 players in the next 3 to 4 years) and others like Mass Specialty (spark), Natural and nutraceutical products (Healthcare), Ortho Gynaec products (STELLAR), Dermo cosmetic products (Aesthaderm).

The company is moated with differentiated products, better scale and continuous launch of new products through innovation. It is a pioneer in Lyophilisation and is one of the largest manufacturers of Lyophilised Injections in India with a wide range of products in various therapy areas. In lyophilisation, the economies of scale and the pipeline are its USP, where GBL offers a lot of products for the first time in India and they offer some new drug delivery systems which may occasionally be a pioneering achievement on a global scale. The company is also venturing into futuristic therapy areas like – Biologicals (which is the core competency of the management) and Immuno-Oncology. The entry barriers for anyone to get into the biological are tougher since it is more complex. Gufic is the first Indian company to make Botulinum Toxin from scratch and the Indian market has a potential to reach ₹2,000-3,000 Cr from the current size of ₹150 Cr. GBL has taken Botulinum Toxin range of products beyond the aesthetic dermatology where company has the first mover advantage with launch of Zarbot, targeting Cerebral Palsy, Migraine and Over Active Bladder.

Gufic spends about 8-10% of its turnover on R&D. Mr. Pranav Choksi is a post graduate from John Hopkins and Dr. Balram Singh who has an experience of 35 years in R & D, lead the team. Consistent launches of new products, affordable product pricing along with the new drug delivery systems keep GBL differentiated in the generics business. It has strong partnership & licensing deals with Prime Bio, USA (for Toxins Strain transfer), Lucas Meyer Cosmetics (Dermo Cosmetics technical collaboration), Selvax Pty Ltd, Australia (immunological-based treatments for a range of hard-to-treat solid tumours), Cinnagen (Infertility Tech transfer) and BrightGene Bio-Medical Technology Co Ltd (Recombinant products and Anti Infectives).

The company has been working on Special/New Drug Delivery Systems (NDDS- a novel concept to deliver critical care products) formulations in the critical care and infertility segment to differentiate its presence in the segments. The company has successfully completed in-house trials on several innovative concepts in pre-filled syringes, dual chamber syringes, launched dual chamber bags and is working on Innovative formulations of Botulinum Toxin, Liposomal Amphotericin-B Injection, Depot Injection, Dual Chamber Syringes.

Gufic has manufacturing bases at Navsari, Gujarat (Unit-I & II) and Belgaum, Karnataka. GBL is certified with WHO GMP, EU GMP (Hungary), Health Canada, Australia TGA, etc. Fixed assets have gone up by almost 5 times from FY19 till FY23 and the capacity utilization stood at 70% for overall facilities in FY22. It is coming up with Unit-III at Indore, Madhya Pradesh which will commercialize in Q1FY24 and will increase the existing lyophilisation capacity by 95%. Commercialization for the block dedicated for Penem has begun. The total cost of the Indore (₹220 Cr) and Penem (₹50 Cr) project is estimated at ₹270 Cr, which will be funded by a mix of debt to the tune of ~₹160 crore and internal funds of ~₹110 Cr.

The company caters to about 80% of the tertiary care hospitals covering more than 1.2 lakh doctors and approximately 1.1 lakh retail counters with a product portfolio in 15+ therapy areas. The clientele comprises of large players such as Glenmark Pharmaceuticals Ltd, Lupin Ltd, Abbott Healthcare Pvt Ltd and Zydus Healthcare Ltd. Healthy relationship with reputed pharmaceutical players led to repeat orders, contributing to steady revenue growth over the years. 190+ Products are now registered across regulated and semiregulated markets globally (in 15+ countries) and 150+ Products in pipeline for registration (in 30+ countries). GBL will expand the presence in regulated markets such as US, EU and explore newer geographical locations.

The company has good growth potential (15%-20% CAGR for next 3-4 years) driven by upcoming Indore Capex and new product launches. The growth is evident through the past financials wherein total revenue has grown at a CAGR of 30%, PAT by 64% in 3 years and by 25% and 51% respectively from last 10 years.

MILESTONES

- **1970-** Established by Late Shri Pannalal Choksi
- **2007-2009**
 1. Initiated contract manufacturing
 2. Commenced international exports
- **2010-2015**
 1. Received patents for Anidulafungin and Tigecycline lyophilised inj.
 2. Launched Criticare division
- **2016**
 1. Set up a full automatic state of the art facility at Navsari, India under the name Gufic Lifesciences Pvt Ltd and received EU GMP approval
 2. Launched Ferticare and Criticare Life divisions
- **2017-2019**
 1. Received patents for Rifabutin and Micafungin lyophilised inj.
 2. Exported Vancomycin lyophilised Inj. to Germany
 3. Manufacturing capacity ramped up to 31 million vials per annum
 4. Launched Ferticare Life division
- **2020**
 1. Manufactured Remdesivir for Hetero
 2. Increased capacity to 48 million vials per annum
- **2021**
 1. Ranks within the top 100 Pharmaceutical companies (as per the ORG IMS)
 2. Ventured into the high growth Aesthetic Dermatology segment with Stunnox - India's first indigenous Botulinum Toxin
- **2022**
 1. Launch of Dual Chamber Bag initially targeting Anti-infectives
 2. Started the training center for new therapies with combination of machines and use of fillers and Botulinum Toxin for face and body contouring

PROMOTERS AND MANAGEMENT TEAM

- **Mr. Jayesh Choksi (CMD) and Mr. Pranav Choksi (CEO)**



1. Gufic Biosciences is an owner operated business with Mr. Jayesh Choksi as the CMD of the company and his son Mr. Pranav Choksi as the CEO and WTD of the company.

2. Both are Bachelors in Pharmacy, while Mr Pranav has done Masters in Biotechnology from The John Hopkins University, USA and has also done specialization in Autologous Cancer Vaccines from US. He completed his Bachelor in Pharmacy from the Institute of Chemical Technology, University of Mumbai (ICT/UDCT).



3. Mr. Pranav joined the Company in 2007 and has been instrumental in driving vital changes to take Gufic on the international arena. This led to the Company being awarded EU GMP for its formulation business and US FDA for its API.

4. Except for aforementioned Directors, none of the Directors are related to each other and there are no inter se relationships between the Directors.

- **Dr. Balram Singh, Non- Executive Director**



1. He is a B. Sc. (Chemistry, Biology), M. Sc. (Life Sciences, Major Biochemistry) and M. Phil (Life sciences, Major Biophysical chemistry) from India. He is doctorate in Chemistry with major in Biophysical Chemistry from Texas Tech University, USA and President & CEO of Prime Bio Inc and Neuromedicine Inc. and the founding Director of Botulinum Research Center, MA (BRC). He has experience of 35 years in handling Research and development.

2. He is a Professor of Chemistry & Biochemistry at the University of Massachusetts (UMass) Dartmouth and has been an expert at the structure & functions of botulinum neurotoxins for over three decades. He is also the Founding Director of the National Botulinum Research Centre, which has over three dozen national and international botulinum researchers associated with it.

CORPORATE GOVERNANCE

Positive Negative

Checklist	Remark
Auditors' opinion	Unmodified
Auditor change	No Frequent change in Auditor
Promoter pledged %	No history of promoter pledging since listing
Conference call	Yes, shows investor friendliness
Investor presentation	Yes, shows investor friendliness
Related party transaction	Payment of rent to Gufic Private Limited has gone up significantly
Group companies	History of Related party transaction with group companies
Independent Directors as % of Board	>50%, Good sign

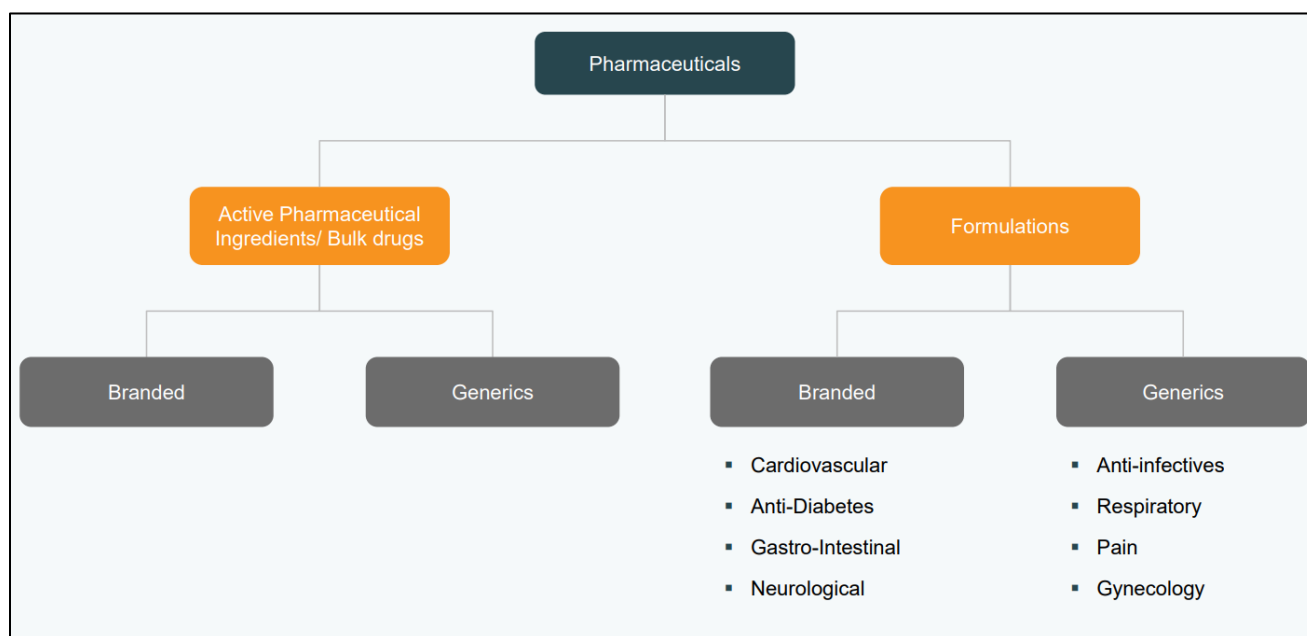
INDUSTRY ANALYSIS

GLOBAL PHARMACEUTICAL INDUSTRY

1. As per Global Medicines & Usage Trends to 2025 report by IQVIA in April 2021, the global pharmaceutical market, estimated at \$1.27 Trillion in 2020, is expected to expand at a Compounded Annual Growth Rate (CAGR) of 3-6% to \$ 1.5-1.6 Trillion by 2024.
2. Key research focus will be immunology, oncology, biologics and cell and gene therapies.
3. The COVID disruption has handicapped the global market extensively resulting in numerous challenges in the supply chain of a lot of essentials, but an upsurge is seen in the healthcare sector.

INDIAN PHARMA INDUSTRY

1. India is the largest provider of generic drugs globally. Indian pharmaceutical sector supplies over 50% of global demand for various vaccines, 40% of generic demand in the US and 25% of all medicine in the UK.
2. India has the highest number of US-FDA compliant Pharma plants outside of USA, and is home to more than 3,000 pharma companies with a strong network of over 10,500 manufacturing facilities.
3. According to the Indian Economic Survey 2021, the domestic market is expected to grow 3x in the next decade. India's domestic pharmaceutical market is estimated at \$ 42 billion in 2021 and likely to reach \$ 65 billion by 2024 and further expand to reach ~\$ 120-130 billion by 2030.
4. The Department of Pharmaceuticals initiated a PLI scheme to promote domestic manufacturing by setting up greenfield plants with a minimum domestic value addition in four separate 'Target Segments' with a cumulative outlay of ₹6,940 crore (\$ 951.27 million) from FY21 to FY30.



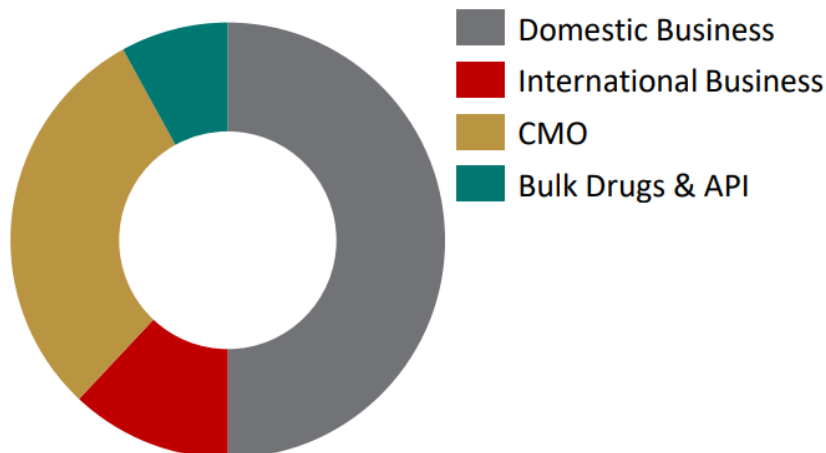
Structure of Pharmaceuticals sector in India (Source- IBEF)

THE COMPANY

- Gufic is engaged in manufacturing and marketing pharmaceutical formulations in various dosage forms such as injectables, syrups, ointments, and lotions. Injectables (liquid and lyophilised) remain its key revenue contributor forming ~75-80% of GBL's revenues in the past few fiscals. For the injectable segment, the company also carries out contract manufacturing for leading brands in the domestic and international market, in addition to direct sales to hospitals/physicians.
- GBL is transforming from primarily a CMO company to domestic branded and international sales driven company which has led to margin expansion.



BUSINESS SEGMENTS



Q2FY23 Total Revenue Breakup

1. DOMESTIC BUSINESS (8 BUSINESS UNITS, 50-55% OF ANNUAL SALES ON AVG.)

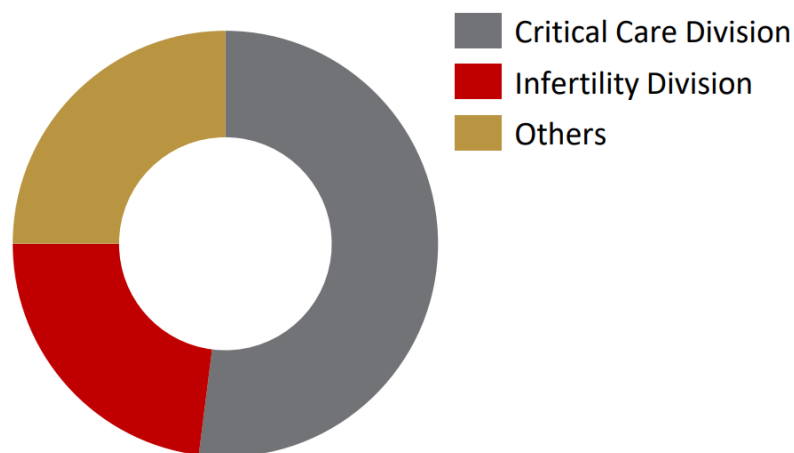
CRITICAL CARE  <ul style="list-style-type: none"> Field Force: 250 Therapy Areas: Antibacterial, Antifungal, Pain Management, Blood products, GI Immuno modulator 	INFERTILITY  <ul style="list-style-type: none"> Field Force: >150 Therapy Areas: Hormones, Recombinant Products, Infertility Supplements 	MASS SPECIALITY  <ul style="list-style-type: none"> Field Force: >180 Therapy Areas: Anti Infectives, Gastro, Gynaecology, Respiratory, Nutraceuticals, Dermaology
NATURAL AND NUTRACEUTICAL PRODUCTS  <ul style="list-style-type: none"> Field Force: >300 Therapy Areas: Bone Health, Pain Management, Immunity, Gastro, Stress, Nutraceuticals, Wound care, Respiratory, Gynaec 	ORTHO – GYNAEC PRODUCTS  <ul style="list-style-type: none"> Field Force: >60 Therapy Areas: Bone Health, Pain Management, Fractures, Arthritis, Pregnancy, Post Menopausal 	DERMO – COSMECTICS PRODUCTS  <ul style="list-style-type: none"> Field Force: >40 Therapy Areas: Neurotoxin, Emollients, Antiaging, Cleansers, Pre & Post Procedure, Hyperpigmentation, Sunscreens

a) CRITICAL CARE (CRITICARE- AROUND 50% OF DOMESTIC BUSINESS REVENUE IN FY22)

- I. Domestic market size is ₹1,81,000 Cr and addressable market is ₹38,000 Cr and it will increase as GBL launches new products.
- II. The company is working on new drug delivery systems and plans to launch many more products in the pipeline.

b) INFERTILITY (FERTICARE- 25% OF DOMESTIC BUSINESS REVENUE IN FY22)

- I. Before launching ferticare, Gufic was contract manufacturing infertility products. Later on, the management decided to market them under its own brand and is now one of the largest manufacturers of certain infertility hormones.
- II. This includes recombinant products and infertility supplements. Most of these are lyophilised injectable.



Q2FY23 Domestic Business Breakup

c) MASS SPECIALTY (SPARK) AND NATURAL AND NUTRACEUTICAL PRODUCTS (HEALTHCARE)

- I. Gufic has 2 units to focus on mass specialty segment like general practitioners, pediatricians, gynecologists and physicians.
- II. The market interest of these SBUs are nutraceuticals and natural products, pain/arthritis, immune boosters, respiratory products and mass anti-infectives.

d) ORTHO GYNAEC PRODUCTS (STELLAR)

- I. It's a new division launched in Aug'20 with a specific focus on orthopedic and gynaecological products in various segments like pain, infection, pregnancy, lactation, bone and muscle products.
- II. For orthopedic, the company has the complete basket starting from basic pain management to arthritis and tendonitis.

e) DERMO COSMETIC PRODUCTS (AESTHADERM)

- I. Gufic has launched a new division in Dec'20 which caters to facial aesthetics and skin care.
 - II. Under Aesthaderm, Gufic has launched an indigenously manufactured Botulinum Toxin (for wrinkles and sagging skin) in collaboration with Prime Bio, USA. Its brand name for Botulinum Toxin is STUNNOX.
- Gufic's rank in the domestic market has improved from 165 in around 2014-15 to 72 in 2021. At the same time, company's field force has also increased from 250 people in 2015 to 1,100 people in 2021.
 - The company caters to about 80 % of the tertiary care hospitals covering more than 1.2 lakh doctors and approximately 2.2 lakh retail counters with a product portfolio in 15+ therapy areas.

2. INTERNATIONAL BUSINESS/ EXPORTS (9-12% OF ANNUAL SALES ON AVG.)

- GBL is operating in 20+ countries. As of FY22, exports were 9.26% of the total revenue.
- 130+ Products registered globally (in 15+ countries) and 150+ in the pipeline (in 30+ countries).

3. CMO BUSINESS (30%-35% OF ANNUAL SALES ON AVG.)



CMO Partners

- Gufic started contract manufacturing of lyophilised products in 2007 and it has one of the largest facilities for lyophilisation in India. It offers CMO services for India and Global Markets.
- 70+ CMO partners including Biocon Ltd, Sun Pharmaceuticals Industries Ltd, Cipla Ltd, Abbott India Ltd, Dr Reddys Laboratories Ltd, Lupin Ltd, Serum Institute of India, Hetero Drugs, Zydus Lifesciences Ltd Glenmark Pharmaceuticals Ltd etc.
- GBL is one of the largest suppliers of formulations like Doxycycline, Tigecycline, Gonadotropins, Liposomal, Amphotericin B, Micafungin, Remdesivir etc. and has 150+ products across multiple therapy areas.

4. BULK DRUG/ API BUSINESS (5-10% OF ANNUAL SALES ON AVG.)

- Exclusive facility for API, specialised in Anesthetics, Antifungal and Antibiotic. It is strategically important due to backward integration helping de-risk import dependence.
- GBL serves 70 customers pan India and it is present in 25 countries worldwide.

MANUFACTURING FACILITIES

- **UNIT - I AT NAVSARI, GUJARAT**

1. Facility for Botulinum Toxin, Lyophilised/Powder Injectables, Natural Products (Topical/Liquid), API
2. Capacities
 - a) Lyophilised – 18 mn vials p.a.
 - b) Ampoule – 12mn p.a.
 - c) Ointment – 6mn tubes p.a.
 - d) Lotion – 6mn bottles p.a.
 - e) Syrup – 6mn bottles p.a.
 - f) PFS – 2.8mn PFS p.a

- **UNIT - II AT NAVSARI, GUJARAT**

1. Facility for Lyophilised Injectables, Liposomal Amphotericin B and Depot Injections
2. Capacities
 - a) Lyophilised – 30mn vials p.a
 - b) PFS – 30mn PFS p.a

- **GUFIC – BELGAUM, KARNATAKA**

1. Natural Products Facility
2. Capacities
 - a) 60mn capsules p.a
 - b) 3.6mn powder p.a.

- Capacity utilization was 70% for overall facilities in FY22. The Commercialization of Penem block has begun whereas ongoing Indore capex will commence operation in Q1FY24.
- Certifications- WHO GMP, Philippines BFAD, Nigeria NAFDAC, Cambodia MOH, Kenya PPB, Ethiopia, FMHACA, Thailand MOH, Sri Lanka NMRA, EU GMP (Hungary), ANVISA Brazil, Russian GMP, Health Canada, Ukraine GMP, Australia TGA, Colombia INVIMA, Uganda NDA, SAHPRA South Africa.
- The Company promotes the reuse and recycling of water and other waste. Water is recycled via Effluent Treatment Plant followed by Reverse Osmosis (RO) and then finally by Multi Effect Evaporator and this water which is generated is used for boilers, etc. Further, waste water/ effluents are not emitted. The Company's unit is Zero Liquid discharge (ZLD unit).

RAW MATERIAL

- Cost of raw materials forms the largest portion of the Company's cost of revenues. With limited control over the prices of its key inputs, the company's profitability remains exposed to volatility in raw material prices.
- Most of their raw materials which the company uses in a unique way is imported from Korea, Italy, China etc. Any issue in these countries which will hamper supplies of RM, will be a negative for Gufic.

MARQUEE CLIENTS

- The clientele comprises of large players such as Glenmark Pharmaceuticals Ltd, Lupin Ltd, Abbott Healthcare Pvt Ltd, Zydus Healthcare Ltd etc.
- Healthy relationship with reputed pharmaceutical players led to repeat orders, contributing to steady revenue growth over the years.

SUBSIDIARIES

- Gufic has only one overseas subsidiary- GUFIC UK LIMITED (GUL, a wholly owned subsidiary). It was incorporated in United Kingdom on March 15, 2022 with the intent of expanding the Company's business in United Kingdom.
- The Company has not made any investment in GUL towards its shares subscription by March 31, 2022 and there was no business operations in GUL for FY 21-22.
- GBL does not have any Associate Company or Joint Venture.

STRENGTHS

- The Company is a pioneer in Lyophilisation. In the year 2007, Gufic initiated contract manufacturing of lyophilised products for large domestic pharma companies. Now, it is one of the largest Manufacturers of Lyophilised Injections in India with a wide range of products in various therapy areas. In lyophilisation, the economies of scale and the pipeline are its USPs where GBL offers a lot of products for the first time in India and they offer some new drug delivery systems which may occasionally be a pioneering achievement on a global scale.
- **Strong Partnership & Licensing Deals**
 1. Prime Bio, USA- Toxins Strain transfer, Tech transfer, formulation development and manufacturing at Gufic.
 2. Lucas Meyer Cosmetics- Dermo Cosmetics technical collaboration and product development.
 3. BrightGene Bio-Medical Technology Co Ltd- Recombinant products and Anti Infectives collaboration on several API to develop new product.
 4. Cinnagen- Infertility Tech transfer and Clinical development (Phase III) of the product at Gufic.
 5. Selvax Pty Ltd, Australia - Gufic will undertake mutually agreed development activities in return for the exclusive commercial rights for Selvax immunotherapy in India along with an equal share of future revenues that might be derived from future sales of the product in Europe, subject to the approvals received from the regulatory authorities in India and Europe, respectively. Selvax's goal is to develop a safe, effective and immunological-based treatments for a range of hard-to-treat solid tumours.
- Robust R&D and Clinical team. The Company spends about 8-10% of its turnover on R&D. Mr. Pranav Choksi is a post grad from John Hopkins and Dr. Balram Singh who has an experience of 35 years in R & D, lead the team.
- Consistent launches of new products, affordable product pricing along with the new drug delivery systems keep the GBL differentiated in the generics business.
- Sourcing efficiency and the economies of scale give an edge to GBL in the exports market.
- It is also backward integrated into manufacturing active pharmaceutical ingredients (APIs)/bulk drugs, some portion of which it captively consumes.
- The promoters have over five decades of experience in the pharmaceutical industry and have strong understanding of market dynamics and healthy relations with customers and suppliers. The core competency of the management lies in biologicals. The entry barrier for anyone to get into the biological will be a little bit tougher and more complex.

- Well-established customer base- Clientele comprises large players such as Glenmark Pharmaceuticals Ltd, Lupin Ltd, Abbott Healthcare Pvt Ltd and Zydus Healthcare Ltd. Healthy relationship with reputed pharmaceutical players led to repeat orders, contributing to steady revenue growth over the years. Besides, it has a network of 25 carrying & forwarding agents and more than 500 stockists PAN India through which it has access to over 1 lakh retailers.

TRIGGERS

STRONG FINANCIAL RECORD AND BRIGHT PROSPECTS FOR GROWTH

- Total revenue has grown at a CAGR of 30%, PAT by 64% in 3 years and by 25% and 51% respectively from last 10 years.
- Fixed assets have gone up by almost 5 times from FY19.
- Over the years, Gufic's EBITDA margins have expanded from 10-11% (till FY17) to around 17-18% currently. Most of the gains have come on the back of operating leverage and ~200 bps on the back of gross margin expansion.
- GBL management has guided 15%-20% growth in the topline (₹170 Cr out of ₹779 Cr topline of FY22 was on account of COVID,). We expect ~₹732 Cr topline in FY23 based on 15-20% growth over non COVID revenue of FY22 with EBITDA margins in the range of 18% and PAT margin in the range of around 11.5%. The company will grow with the same momentum for next 3-4 years driven by upcoming Indore Capex and new product launches. Gross margins can go up by 100 bps (56% for FY23).
- Going forward, with a higher contribution of exports and branded domestic sales, the gross margins and the EBITDA margins should expand.

GOOD RESULTS FOR THE RECENT QUARTERS TESTIFY THE GROWTH POSSIBILITIES IN NON COVID ENVIRONMENT

- In Q1FY23, sales grew by almost 20% YoY (excluding the COVID portfolio). They have also seen an improvement in the EBITDA margins by 80bps YoY in an inflationary environment.
- Continuing the similar momentum in Q2FY23, the top line was up 19% YoY (considering non COVID sales of Q2FY22). Despite heavy R&D expense for validation batch for the Indore plant, EBITDA margin expanded by 40bps to 19%. However, PAT margin dropped by 50bps to 11.5%.

GEARING UP FOR INDORE FACILITY TO GO LIVE

- The total cost of the Indore (₹220 crore) and Penem (₹50 crore) project is estimated at ₹270 crore, which will be funded by a mix of debt to the tune of ~₹160 crore and internal funds of ~₹110 crore.

UNIT - III AT INDORE

1. Injectables (liquid and lyophilised) remain its key revenue contributor forming ~75-80% of GBL's revenues in the past few fiscals. For the injectable segment, the company also carries out contract manufacturing for leading brands in the domestic and international market in addition to direct sales to hospitals/physicians. Even without any pandemic, the organic

growth of the injection market space is anywhere around 12% to 13% domestically. The market for lyophilised drugs has grown fast and almost 25-30% of the new injections are lyophilised and this is expected to continue to grow at a CAGR of 8-10%. Gufic Biosciences Ltd has set a target to capture a major share of the ₹3000 crore lyophilised antibiotics antifungal market in India. Keeping lyophilisation as a backbone, coming up with the product extension to support in terms of prefilled syringes, ampoules, suspensions, vials, dual chamber bags provide good opportunities.

2. The Lyophilised/Powder Injectables facility at new plant has the capability to cater to regulated markets such as US & EU.
3. Capacities.-
 - i. Lyophilised – 36 mn vials p.a (95% of the existing capacity, with this GBL will be one of the largest manufacturers in the world of lyophilisation)
 - ii. PFS – 15mn PFS p.a. (45% of the existing capacity)
 - iii. Liquid Injections – 60mn units p.a.
4. Civil Construction and Site Development work is progressing as per schedule and is near completion. Equipment has been selected and ordered.
5. Gufic has started gearing up to take their Indore facility live and in view of that, the company has started investing in R&D for new molecules and drug delivery systems. This will eventually smoothen the entire process of going live at Indore. With respect to that, it has already started taking validation batches to create the data and build up dossiers for the pipeline products and this will help the company to reduce its time to market significantly once the plant is up and ready at Indore. The plant is expected to get commercialized by Q1FY24. Entire validation and commissioning should be completed by March/ April 2023.
6. The revenue impact on the P&L should come from Q1FY24 (May/ June). The capacity utilization will be 30-35% in the first year of operation with 45% gross margins and EBITDA margins will be slightly subdued than the company average due to validation batches, depreciation etc. Indore can help GBL contributing in a more substantial way in the year FY25. 70% capacity utilization will be reached in 2.5 - 4 years post the commercialization. GBL management expects that the EBITDA margins in long term to improve by 100 basis points year-to-year at least for 2-3 years.
7. Out of the planned ₹220 Cr, ₹20 Crores will be spent on facility and ₹200 Crores for lyophilisation facility. R&D centre at Indore city has become functional. Team has been hired and product development work has commenced.

• **PENEM BLOCK**

1. It is a dedicated facility for Penem- Carbapenems (Lyophilised/Dry Powder Inj/Oral Solids/Dual Chamber Bags)
2. Capacities
 - i. Lyophilised – 3mn vials p.a. (8% of the existing capacity)
 - ii. Chamber Bags- 24 mn IV bags

- iii. Dry Powder Inj- 30 mn Vials
- 3. Progress of the capex
 - i. Strategic decision to move the penem block to Navsari to reduce the time to market turned out well
 - ii. Civil work complete, equipment received and installation complete
 - iii. Commercialization has begun

FORAY INTO GAME CHANGING BOTULINUM TOXIN FOR APPLICATIONS IN COSMETICS AND BEYOND

- Internationally, the toxin market is close to \$7 billion- \$8 billion and out of that, US alone is around \$5 billion- \$5.5 billion. The market has a potential to become ₹2,000-3,000 crores for India from the current market at ₹150 Cr.
- Gufic has entered into new therapy areas of Dermatology -'Aesthaderm' quite recently and for that it has partnered with Prime Bio, USA for manufacturing Botulinum Toxin API and formulation. Gufic is the first Indian company to make Botulinum Toxin from scratch. It is the first company to launch 'Make in India' Botulinum Neurotoxin (branded as STUNNOX for cosmetic application) – bioequivalent to the Innovator. Gufic and Prime bio will develop several innovative formulations with Botulinum toxin in the field of Dermatology, Neurology and Pain Management.
- The company is equipped with all the necessary analytical testing procedures for safety and efficacy of Botulinum toxin. Gufic has built a state-of-the-art manufacturing facility for Botulinum Toxin in Navsari.
- Stunnox continues to increase penetration in the market. They are developing fillers to complement and complete this basket. GBL will increase the market share in Botulinum Toxin range of products through the introduction of fast acting injectable and topical formulation (first in India and world).
- GBL has started a center of excellence- 'Arisia' to impart training to set of doctors. Through the center of excellence, they intend to take to market the most advance technologies, techniques, and products from across philosophies, providing a panoramic approach to these treatment programs. The 20+ aesthetic procedure combinations will offer skin and body transformation through FDA approved technologies. There will be at least batches of 20 to 30 doctors every month trained in Mumbai and if the model is successful GBL is planning to open similar centers in Delhi, in Bengaluru as well as Hyderabad, then followed by Ahmedabad.
- Also, the company has partnered with Indian College of Cosmetic Gynaecology (ICCG) in the field of cosmetic vaginal tightening and rejuvenation to organize trainings to promote the use of Botulinum Toxin for these indications.
- **Zarbot**
 - i. GBL has taken Botulinum Toxin range of products beyond the aesthetic dermatology where company has the first mover advantage. Zarbot is the first Botulinum Toxin in India targeting Cerebral Palsy, Migraine and Over Active Bladder.
 - ii. Amount of use per patient of Zarbot is much higher than something used for a facial

aesthetic. Stunnox was being promoted by only 28 people in FY22, now Zarbot is promoted by 150 people in FY23.

- iii. In combined way of Stunnox and Zarbot, GBL expects higher traction in FY23 and they expect they will be doing four times in FY23 and 10 times in FY24 as compared to what they did in FY22.

INNOVATION DRIVEN DIFFERENTIATION WITH HEAVY INVESTMENTS IN RESEARCH ON BIOLOGICALS AND NDDS

- Since the last decade, pharma is getting more and more commoditized. For long-term sustenance, the pharma companies must be into something which is more unique and which gives them better margins, so that they can sustain the next cycle of growth.
- The company is also venturing into futuristic therapy areas like – Biologicals and Immuno-Oncology; however, such products will come onstream 4-6 years down the line. Looking at the global trend towards biologicals and peptides, Gufic has identified several peptides which have great market potential in segments like Immunity (Thymosin Alpha), Cosmetic dermatology (Botulinum toxin), Pain management (Botulinum Toxin), Infertility (Recombinant products) and several others products in the critical care segment. Several of these products would be first time launches and would be launched through proper Phase –II / III Clinical trials for obtaining market authorization in India and other countries.
- The reason why Gufic (despite being a small size player in the industry) is getting into a biological is because this field is more complex and the entry barrier is high for others to get into. The core competency of the people working in the company, including Mr. Pranav Choksi and his team is doing complex molecules and biologicals. They have State-of-the-art R&D Facility in Navsari, Gujarat with expertise in Formulation Development, Technology Transfer, API Development. A new R&D Center has been commissioned at Indore in December 2021 and GBL is expanding the team at Indore. The new facility is dedicated for development of NDDS, small molecules and Biologicals. Gufic has been working on Special/ New Drug Delivery Systems (NDDS- a novel concept to deliver critical care products) formulations in the critical care and infertility segment to differentiate its presence in the segments. The company has successfully completed in- house trials on several innovative concepts in pre- filled syringes, dual chamber syringes, launched dual chamber bags and is working on Innovative formulations of Botulinum Toxin, Liposomal Amphotericin-B Injection, Depot Injection, Dual Chamber Syringes. NDDS helps in enhanced efficacy, bio-availability and potency of existing and new products.
- Gufic Biosciences has launched New Drug Delivery System- Dual Chamber Bags at an affordable price first time in India in June-Q1FY23. This technology is already available for some products in the US and the European markets. However, the price is almost 3 to 5 times the cost of a conventional product which makes the production unviable. GBL has launched the current product with only a price of around just 15% to 20% more than the conventional drug price in the Indian market. They foresee that maybe after a year or 2, once they reach economies of scale or maybe

earlier than that, they can make the cost of a dual chamber bag almost same as a conventional vial which will be a big revolution. Until now the dual chamber bags have been largely imported and used to cost very high to the patients. They will start with penems and then to other antibiotics also like Fosfomycin, caprolactam, Vancomycin, Ceftazidime-Avibactam etc. and they will be taking a market share from vials. Gufic has received the DCGI approval for manufacturing and marketing Biopenem in dual chamber bag.

- The company has been granted 5 patents till date and there are 8 patents which are filed/in-process of filling. There are 50+ major projects in pipeline across all therapy areas- Anti Infectives: 11, Dermatology: 7, Gynaec: 6, CNS: 4, Anti Fungal: 3 and Oncology: 3. There are 5 ongoing projects in clinical phase while 12 are in pipeline.
- GBL will increase market share in contract manufacturing beyond paranterals to other drug delivery system. The Company is backing Ayurvedic medications with scientific data. Isavuconazole oral option will complement the injectable by Q3 FY23. The overall market of this molecule is growing at 100%.

TARGETING GROWTH THROUGH THE HIGH MARGIN DOMESTIC BRANDED BUSINESS AND EXPORT BUSINESS

- Both the domestic branded and international businesses command much higher gross margins of 55-60% against 35- 40% for API business and 30% for CMO. Gufic is transforming from primarily a CMO company to domestic branded and international sales driven company. Further, it is also expanding the API division to reduce the impact of price volatility and dependence on imports. Growth in Q1FY23 was primarily driven by exports and domestic market.
- Gufic has become aggressive in the international markets in the last 4- 5 years. It was always there in certain Southeast Asian markets and South American market; however, it started putting in a lot more efforts in new product registrations and geographical expansion 6- 7 years ago and the sales started increasing from FY17.
- GBL has seen growth of ~25% through International Business in Q1FY23. 190+ Products are now registered across regulated and semi-regulated markets globally (in 15+ countries) and 150+ Products in pipeline for registration (in 30+ countries). In Q2FY23, they have received 2 new product approvals from regulated markets and they have also received one product approval from Health Canada.
- GBL will expand the presence in regulated markets such as US, EU and explore newer geographical locations. In FY22, Gufic has commenced exports to regulated markets for molecules such as Vancomycin, Clarithromycin, Teicoplanin, Tigecycline. It received 5 new product approvals in regulated markets and 8 new product approvals in semi regulated markets and the company entered two new regulated markets of Brazil and Canada in the same year.
- With the enhanced lyophilisation capacities and multiple approvals from the regulatory bodies Gufic is geared up to explore the CMO and the out- licensing business in the international markets. Even

though the current contribution from the international business is around 9.26%, it will grow significantly in the next 2-3 years.

CONSOLIDATING THE DOMESTIC BRANDED BUSINESS WITH NEW LAUNCHES

- **Critical Care Division**

1. Gufic is building a robust pipeline of new products and licensing products portfolio for the India Business. The company has retained leadership position in Anti-fungal & Anti-bacterial. Gufic is consolidating the Critical Care Infertility business.
2. Launched Sparsh in Q2FY23- In the last 7 years in Critical Care, most of the business came from class A markets, that is from tertiary hospitals or maximum secondary hospitals. Gufic has launched a subdivision within this flagship division by the name of Sparsh. This division will use the most advanced technology and smoothen the supply chain process for delivering 100 plus high-quality injectable products, primarily to untapped hospitals and nursing homes, which include not only the suburban, but also the rural market. And as per the initial estimates, the addressable market size is roughly Rs. 9,500 crores and it is growing at a CAGR of 12%.
3. In Q1FY23, they entered Neurology with unique products, a special task force, and a dedicated training center to broaden the addressable market.
4. Market size for Cephalosporin is > ₹1,200 Cr, Ceftazidime-Avibactam is around ₹80-90 Cr and that of Avibactam is ₹60-80 Cr. Ceftazidime-Avibactam's innovator is Pfizer in India. Gufic will be the only Indian company to launch this product other than the innovator, with an in-house manufactured API and then maybe offer it to 3-4 of their associates in terms of CMO also. The patent expires in January 27, 2023 and GBL is coming with a unique potassium salt upsurge by which it can launch 3 months before anyone else can launch. They foresee that market of Ceftazidime-Avibactam will go to at least a multiple of Rs. 100 crores in 2 to 3 years itself.
5. GBL received permission from Central Licensing Approving Authority, (CDSCO), Ministry of Health and Family Welfare for manufacture, sale and distribution of Isavuconazonium Sulfate API and finished formulation Isavuconazole for Injection 200 mg/vial. Isavuconazole for Injection 200 mg/vial is indicated for the treatment of patients having 18 years of age and older for the treatment of Invasive Aspergillosis and Invasive Mucormycosis. The domestic market has its own market size of \$6 million. The Company is expecting to get the permission for oral by Q3-Q4FY23.
6. Gufic is also launching the novel once-a-week anti-infective Dalbavancin for the first time in India in Q4FY23. Dalbavancin is a product which is not available in the Indian market. Dalbavancin will be a very important product for Indore facility because GBL sees that the markets in US and Europe and other countries will offer good value for the product.

Dalbavancin is more of an international product in the short-term and then coming to India on a long-term. The actual numbers and values will come up in the 3 to 4 years.

7. They received DCGI approval for Thymosin Alpha-1 (Immunocin α - A Brand of Gufic for the said drug) as an add-on therapy for the treatment of moderate-to-severe COVID-19 patients requiring ventilator support. Immunocin α , an Immuno-modulator drug, significantly reduced the risk of death in the Phase 3 Clinical trial in adult patients with moderate-to-severe COVID-19. They applied to DCGI, to conduct Phase III clinical trials for Thymosin Alpha injection for Sepsis indication and got the approval in Q2FY23. For sepsis, the product is expected to be sold post October 2023.

- **Ferticare Division**

1. Fertility is a ₹4000 crore market and growing at 15% year-on-year. IVF Sales for Gufic have rebounded and have crossed pre-CoVID levels. This division has done phenomenally well for them this year, and it continues to register double-digit growth for female infertility hormones such as Puregraf (HMG) and Puretrig (HCG). The company continues to have a dominant market share in these flagship products (Puregraf and Puretrig). GBL has an aspiration to reach the top 3 players in the next 3 to 4 years with HMG, HCG in kitty and entry into Dydrogesterone and also the recombinant molecules coming in.
2. The company has improved technology for one of the flagship brands – Puregraf which will help to increase traction and gain market share within this category. They are exploring two new indications for an existing peptide molecule (endometriosis and recurrent implantation failure).
3. They have increased their market penetration with Enoxaparin in the Infertility segment and created a good brand within this molecule in this segment. They are at the second rank in the high-growing Cetorelix market. They have received DCGI approval to conduct Phase III trials with Thymosin Alpha for endometriosis which will commercialize in 2024 end or may be early 2025. Gufic has invested to develop recombinant alternatives to the urinary source of certain hormones which are critical in the treatment of infertility.
4. Gufic has launched Dydrogesterone with its own API and this is a vibrant market and it has gone above ₹800 Cr now and growing at a healthy pace of 60% year-on-year. Within the next 18 months, it should be able to launch the recombinant product as well. The Company is planning annual sales of ₹20 Cr in less than 2 years. Dydrogesterone is an alternative to progesterone. Here, the advantage GBL has is that they are backward integrated since there are very few API manufacturers.

- **Healthcare & Spark Division**

1. The company has strategic focus on Healthcare division with entry into Ortho Gynaecology products through a new division, Stellar.

2. They are market leaders in anti-inflammatory and herbal medicine. GBL launched a multi vitamin formulation to augment well diversified product portfolio in FY22 and with anti-inflammatory basket it will aid growth in this segment. They have also launched a cannabis extract based topical solution for muscular and arthritic pain relief.
3. They have initiated trial of a new product made from an Indian gum by a standardized extraction process for use in the management of asthma and initiated development of a unique liposomal iron formulation. The Company intends to launch the cardiac diabetic management range.

- **Stellar Division**

1. The division was launched in FY20, and GBL is seeing good traction.
2. The company launched Sallaki Max - a nutraceutical targeting arthritic pain in FY22. Sallaki Max complimented with launches in the field of pain management and muscle recovery along with topical unique oil suspension for better penetration and faster recuperation, has led to higher growth in this division.

ENTRY INTO CANCER IMMUNO ONCOLOGY THROUGH COLLABORATION WITH SELVAX, AUSTRALIA

- The company has entered into a research and collaboration agreement with Selvax to accelerate the commercialization of Selvax's (a biotechnology company based in Perth, Western Australia) cancer immunotherapy treatment. Gufic will undertake mutually agreed development activities in return for the exclusive commercial rights for Selvax immunotherapy in India along with an equal share of future revenues that might be derived from future sales of the product in Europe. The agreement is subject to approvals received from the regulatory authorities in India and Europe, respectively.
- Current treatment options for pancreatic cancer include surgery, chemotherapy, radiotherapy, and ablation. These options are rarely effective, and in most cases are used to manage symptoms rather than eradicate disease, highlighting a dire need for new treatments that are effective at combating a cancer that is currently incurable.
- The Selvax immunotherapy demonstrated promising results (100% long-term cures alongside induction of protective immunity) in the two pancreatic cancer models tested in the pre-clinical stage. Moreover, it has consistently outperformed FDA approved checkpoint inhibitors which have become first line therapies for some cancers, including melanoma. These results indicate that the Selvax immunotherapeutic approach could offer a viable alternative to existing therapies for the treatment of pancreatic cancer.

BUILDING BACKWARD INTEGRATED API CAPABILITIES

- API forms 10-15% of the total revenue. GBL continues to expand their API facilities to de-risk from external procurement and insulate from price volatility. GBL intends to explore and expand API portfolio and increase focus on API business to cater to the market apart from the captive consumption.
- Efforts are focused on developing non infringing, novel, cost effective and scalable chemical processes for APIs, Peptides and Cyclopeptides. The API Research Development at Navsari has made noteworthy progress in development of molecules in therapeutic categories such as Antifungal, Anticoagulant, Tetracycline Antibiotics, Progestin, Beta 3 adrenergic agonists, Antidiabetic and Cyclopeptides Hormones. These development projects are all progressing in line with the plan.

TAILWINDS TO PHARMA INDUSTRY

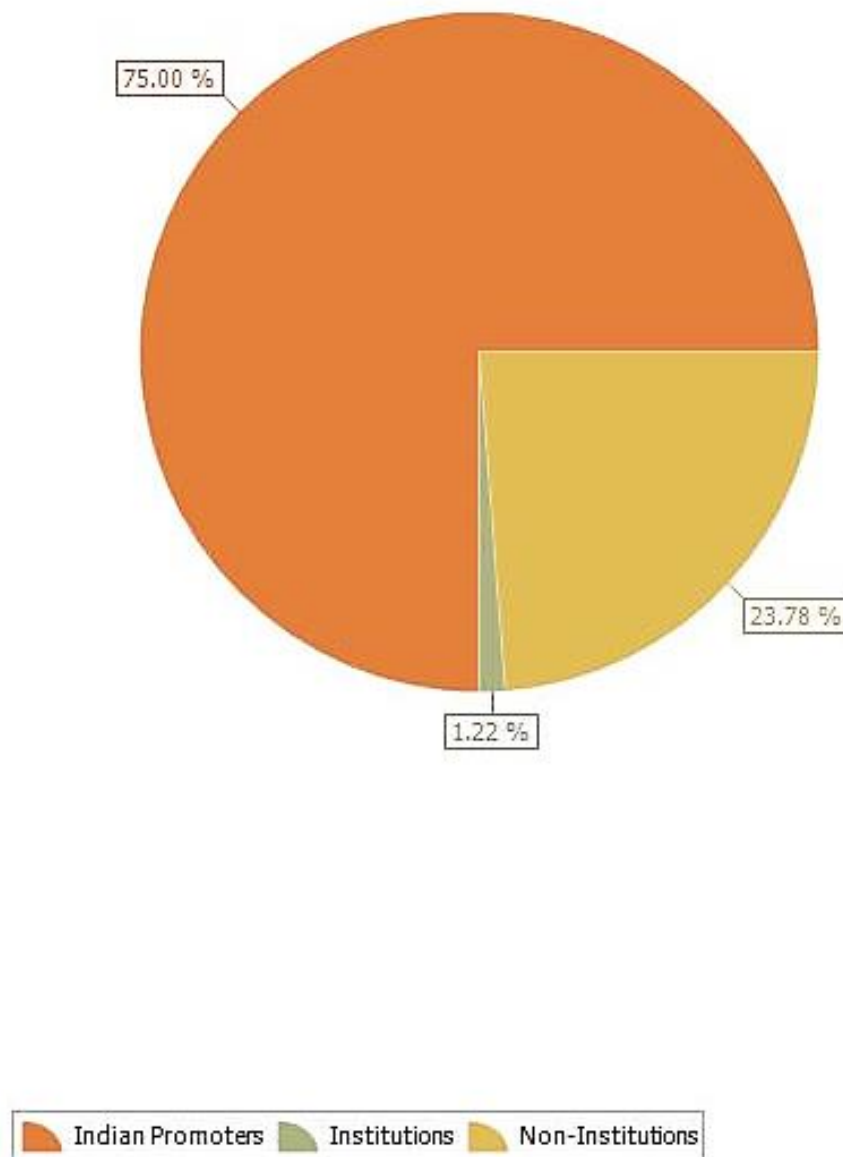
- The pandemic has made people more concerned about their health. People have realised the importance of health and wellness, which has become an integral aspect of the modern-day lifestyle in the post pandemic world. The Covid-19 pandemic created 'the biggest seismic shift' taking health and immunity to the centre stage. This trend will have a far and wide ripple effect on areas such innovation of preventive and curative therapies, infrastructure of healthcare facilities and easy access to holistic & affordable healthcare services. Gufic is well positioned to contribute and benefit from some of these decade defining trends.
- The various government initiatives to the pharmaceutical and biotechnology industry will usher in a new era of research, development and innovation oriented towards creating new chemical entities and biosimilars. Government of India's timely initiatives to promote the indigenisation of the Active Pharmaceutical Ingredient (API) and Key Starting Material (KSM) industry will ensure that the industry is not bound by the frailties of international markets for these critical inputs.

RISKS

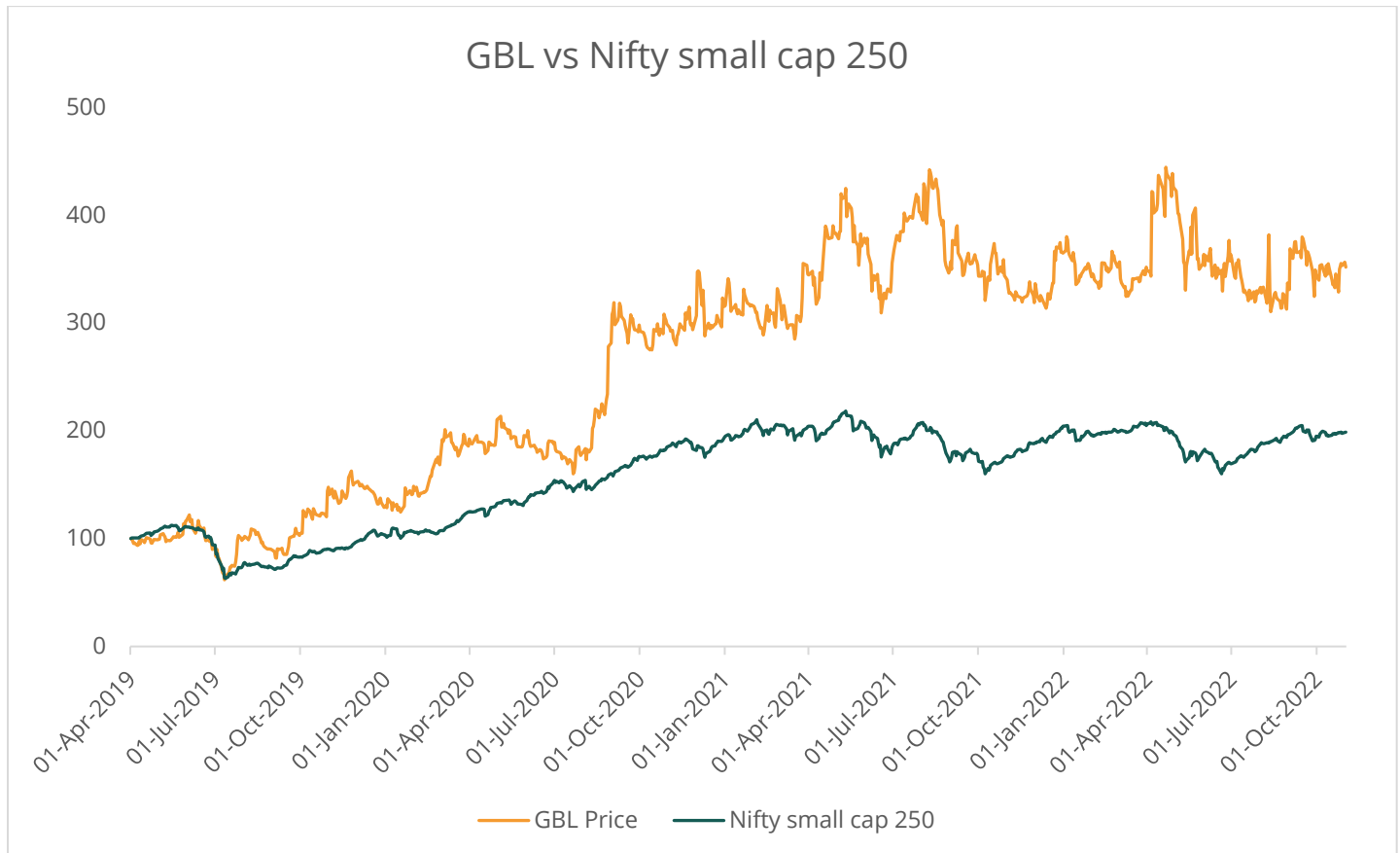
- Biologicals and immunotherapy have a low success rate and high complexity and can prove as cash burners in the near term. R&D expense is going to go up as Gufic ventures into complex molecules like peptides and biologicals. There are high chances of failure (more than 50%).
- Indore facility will come into play in FY24 and there will be pressure on the margins because of the poor capacity utilization (will be around 30%-35%) in first year along with the burdens of finance cost, depreciation. Because of the validation batch (whenever Gufic goes for any regulated market there is 3-batch validation to be done on an R&D level, then there is a tech transfer and scale up of batches), there will be very high consumption of raw materials and gross margins will be around 45% for the plant against an average of 50% GPM at the company level. FY24 EBITDA margins will get negatively affected (will hover around 18%) and will apply brake to Gufic's margin expansion trajectory.
- Resource allocation is very critical as wide array of endeavors (expanding the capabilities in biologicals, getting expertise in NDDS and injectables, significant marketing spends for branded portfolio, intending to get into regulated markets such as US) that Gufic is pursuing currently, have a huge monetary bearing.
- For Stunnox to grow big, it must compete with Korean brands (SIAX and Nabota) and 'Botox' (manufactured by Allergan, who is the global market leader) which is a behemoth brand in this segment.
- The operations remain exposed to regulatory restrictions in terms of pricing caps in domestic markets and product/facility approvals in export destinations.
- Cost of raw materials forms the largest portion of the Company's cost of revenues. With limited control over the prices of its key inputs, the company's profitability remains exposed to volatility in raw material prices. Most of their raw materials which the company uses in a unique way is imported from Korea, Italy, China etc. Any issue in these countries which will hamper supplies of RM, will be a negative for Gufic.

SHAREHOLDING PATTERN (Q2FY23)

1. Promoters- 75%
 - No history of promoter pledging shares.
2. FII- 0.06%
3. DII-1.16%
4. Public- 23.78%



PRICE HISTORY AND PERFORMANCE



FINANCIALS

- Financial Highlights

1. Profit and loss statement

(All figures are in ₹ crores unless mentioned otherwise)

P & L	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Sales	83.57	100.14	123.01	151.55	202.20	245.52	305.58	350.77	378.84	487.70	779.16
Total Expenditure	76.23	89.40	110.98	137.28	182.51	222.57	266.80	304.78	326.72	403.78	633.44
Gross Profit	42.70	54.09	67.40	78.08	111.35	138.10	177.01	189.40	222.37	261.58	410.67
GPM (%)	49.44	51.16	51.74	48.82	52.01	53.03	55.74	52.55	56.81	50.43	48.42
EBITDA	7.70	11.13	12.66	14.84	20.35	24.39	41.65	50.16	57.91	87.65	148.82
EBITDAM (%)	8.92	10.53	9.72	9.28	9.50	9.37	13.12	13.92	14.79	16.90	17.55
EBIT	5.82	8.95	10.19	10.99	16.56	20.71	38.83	45.51	44.04	71.34	131.69
EBITM (%)	6.97	8.94	8.28	7.25	8.19	8.43	12.71	12.97	11.63	14.63	16.90
PBT	2.97	5.26	6.27	6.53	10.36	14.37	29.95	35.35	30.13	57.71	126.84
PAT	1.53	3.33	4.26	4.16	7.32	9.02	16.48	21.94	22.69	44.23	95.84
PATM(%)	1.77	3.15	3.27	2.60	3.42	3.46	5.19	6.09	5.80	8.53	11.30

Source- Ace Equity, KamayaKya research

2. Fund flow analysis

Sources of Funds	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash Profit	3.41	5.51	6.73	8.01	11.11	12.70	20.88	26.59	36.55	60.54	112.97
Equity Paid Up	7.74	7.74	7.74	7.74	7.74	7.74	7.78	7.78	9.69	9.69	9.69
Reserves & Surplus	11.78	14.66	18.47	19.37	26.22	29.59	46.35	67.56	119.63	163.74	259.42
Net Worth	19.51	22.39	26.21	27.10	33.96	37.33	54.14	75.35	129.32	173.44	269.12
Total Debt	20.42	34.79	33.40	32.82	42.76	56.64	79.69	97.79	116.74	55.35	61.24
Capital Employed	39.93	57.19	59.61	59.92	76.72	93.97	133.83	173.13	246.06	228.79	330.36
Application of Funds	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Block	31.60	42.59	48.46	50.81	51.31	25.65	31.00	37.19	114.98	148.64	177.85
Investments	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Cash and Bank balance	0.96	1.28	2.54	6.21	6.16	5.64	7.50	7.59	16.37	13.18	26.57
Net Current Assets	3.93	6.57	8.99	7.87	15.84	15.07	29.66	46.17	33.53	96.92	133.77
Total Current Liabilities	47.06	43.65	60.31	83.61	103.68	128.18	168.55	217.72	325.60	163.66	186.98
Total Assets	75.32	89.58	111.15	127.29	152.20	174.67	235.22	310.23	492.71	392.06	521.40

Source- Ace Equity, KamayaKya research

3. Cash flow statement

Cash Flow	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash Flow from Operations	5.16	5.26	10.87	11.15	-4.32	-4.13	-4.82	5.21	47.10	87.25	104.44
Cash Flow from Investing activities	-3.33	-13.26	-2.78	-2.39	-0.51	-4.69	-8.84	-12.99	-42.53	-6.69	-95.94
Cash Flow from Finance activities	-1.82	8.32	-6.82	-5.09	4.78	7.41	14.40	7.71	-4.21	-78.62	-3.10
Free Cash flow	-1.80	-12.30	2.60	3.89	-11.17	-15.15	-17.77	-20.01	-0.82	56.33	13.97

Source- Ace Equity, KamayaKya research

• Quarterly P & L

(All figures are in ₹ crores unless mentioned otherwise)

P & L	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Net Sales	87.07	60.80	128.42	166.56	131.93	250.76	194.14	172.07	162.19	165.28	174.84
COGS	38.91	29.03	62.22	93.66	65.38	147.77	104.86	87.85	71.48	77.53	85.38
Gross Profit	48.16	31.77	66.20	72.90	66.55	102.99	89.28	84.21	90.72	87.75	89.45
GPM (%)	55.31	52.25	51.55	43.77	50.44	41.07	45.99	48.94	55.93	53.09	51.16
Operating Costs	35.77	28.42	36.80	45.47	42.80	57.34	53.45	51.50	59.20	54.57	56.84
Misc. Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA	12.39	3.35	29.40	27.42	23.75	45.65	35.83	32.72	31.52	33.18	32.61
EBDTAM (%)	14.23	5.51	22.90	16.46	18.00	18.20	18.46	19.01	19.43	20.07	18.65
Depreciation	3.75	3.55	5.05	3.22	4.48	4.13	4.20	4.48	4.33	4.37	4.56
EBIT	8.64	-0.20	24.35	24.20	19.27	41.52	31.63	28.23	27.19	28.81	28.05
EBDTM	9.92	-0.33	18.96	14.53	14.60	16.56	16.29	16.41	16.77	17.43	16.04
Other Income	1.27	0.78	2.26	0.03	0.66	1.23	0.31	1.53	0.04	0.38	0.82
Other Income	1.27	0.78	2.26	0.03	0.66	1.23	0.31	1.53	0.04	0.38	0.82
Interest	3.62	3.38	3.61	3.78	2.87	1.21	1.55	1.03	1.06	0.91	1.61
EBT	6.29	-2.80	23.01	20.45	17.05	41.54	30.39	28.73	26.18	28.28	27.26
EBTM (%)	7.22	-4.60	17.92	12.28	12.92	16.57	15.65	16.70	16.14	17.11	15.59
Tax	1.31	-1.36	5.68	4.99	4.18	10.33	7.05	7.70	5.91	7.23	7.05
Profit after tax	4.97	-1.43	17.33	15.47	12.87	31.21	23.34	21.03	20.27	21.05	20.21
PATM (%)	5.71	-2.36	13.49	9.29	9.76	12.45	12.02	12.22	12.49	12.74	11.56

- Quarterly P & L analysis

Particulars	Q2FY23	Q1FY23	QOQ	Q2FY22	YOY
Net Sales	174.8	165.3	<i>5.78%</i>	194.1	<i>-9.94%</i>
(Increase) / Decrease In Stocks	-21.4	7.6	-379.69%	-2.8	658.17%
Cost of Services & Raw Materials	100.5	63.1	59.16%	89.0	12.93%
Purchase of Finished Goods	6.3	6.8	-6.68%	18.7	-66.27%
COGS	85.4	77.5	10.13%	104.9	-18.57%
Gross Profit	89.5	87.7	<i>1.94%</i>	89.3	<i>0.19%</i>
GPM	51.2	53.1		46.0	
Operating & Manufacturing Expenses	36.7	33.1	10.79%	33.3	10.15%
Employee Cost	20.1	21.4	-6.08%	20.1	0.04%
Operating Costs	56.8	54.6	<i>4.17%</i>	53.4	<i>6.34%</i>
EBITDA	32.6	33.2	<i>-1.71%</i>	35.8	<i>-8.98%</i>
EBDTAM	18.7	20.1		18.5	
Depreciation	4.6	4.4	4.56%	4.2	8.74%
EBIT	28.0	28.8	<i>-2.66%</i>	31.6	<i>-11.33%</i>
EBDTM	16.0	17.4		16.3	<i>-1.54%</i>
Other Income	0.8	0.4	118.13%	0.3	168.20%
Profit On Sale Of Assets	0.0	0.0		0.0	
Other Income	0.8	0.4	<i>118.13%</i>	0.3	<i>168.20%</i>
Interest	1.6	0.9	76.87%	1.5	3.68%
EBT	27.3	28.3	<i>-3.61%</i>	30.4	<i>-10.29%</i>
EBTM	15.6	17.1		15.7	
Tax	7.0	7.2	-2.49%	7.1	-0.06%
Profit after tax	20.2	21.1	<i>-3.99%</i>	23.3	<i>-13.39%</i>
PATM	11.6	12.7		12.0	

Source- Ace Equity, KamayaKya research

• RATIO ANALYSIS

Financial ratios	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Earnings Per Share (Rs)	0.20	0.43	0.55	0.54	0.95	1.17	2.12	2.82	2.34	4.56	9.89
Adjusted EPS (Rs.)	0.20	0.43	0.55	0.54	0.95	1.17	2.12	2.82	2.34	4.56	9.89
CEPS(Rs)	0.44	0.71	0.87	1.04	1.44	1.64	2.68	3.42	3.77	6.24	11.65
DPS(Rs)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.10	0.10
Adj DPS(Rs)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.10	0.10
Book Value (Rs)	2.52	2.90	3.39	3.50	4.39	4.83	6.96	9.68	13.34	17.89	27.76
Adjusted Book Value (Rs)	2.52	2.90	3.39	3.50	4.39	4.83	6.96	9.68	13.34	17.89	27.76
Tax Rate(%)	48.58	36.74	32.03	36.29	29.29	37.21	44.99	37.93	24.69	23.36	24.44
Dividend Pay Out Ratio(%)	25.33	11.62	9.07	9.30	5.28	4.29	2.36	1.77	2.14	2.19	1.01
GPM (%)	49.44	51.16	51.74	48.82	52.01	53.03	55.74	52.55	56.81	50.43	48.42
EBIDTM (%)	8.92	10.53	9.72	9.28	9.50	9.37	13.12	13.92	14.79	16.90	17.55
EBITM (%)	6.74	8.47	7.82	6.87	7.73	7.95	12.23	12.63	11.25	13.75	15.53
Pre Tax Margin(%)	3.44	4.98	4.82	4.08	4.84	5.52	9.43	9.81	7.70	11.13	14.96
PATM (%)	1.77	3.15	3.27	2.60	3.42	3.46	5.19	6.09	5.80	8.53	11.30
CPM(%)	3.95	5.21	5.17	5.01	5.19	4.88	6.57	7.38	9.34	11.67	13.32
ROA (%)	2.20	4.04	4.25	3.49	5.24	5.52	8.04	8.04	5.65	10.00	20.98
ROE (%)	8.05	15.89	17.55	15.60	23.99	25.31	36.03	33.89	22.17	29.22	43.31
ROCE (%)	15.02	18.44	17.45	18.38	24.24	24.26	34.10	29.65	21.01	30.05	47.10

Efficiency ratios	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Asset Turnover(x)	1.24	1.28	1.30	1.34	1.53	1.59	1.55	1.32	0.98	1.17	1.86
Inventory Turnover(x)	5.82	5.73	5.65	5.08	4.92	4.60	4.04	3.82	3.61	4.78	8.08
Debtors Turnover(x)	4.30	4.96	5.40	5.19	4.78	4.81	4.78	3.92	3.73	4.48	6.14
Fixed Asset Turnover (x)	2.83	2.85	2.86	3.22	4.19	6.77	11.21	10.57	5.14	3.94	5.20
Sales(x)/Working Capital	21.95	16.10	14.48	20.32	13.52	17.28	10.71	7.81	11.67	5.35	6.34
Fixed Capital/Sales(x)	0.35	0.35	0.35	0.31	0.24	0.15	0.09	0.09	0.19	0.25	0.19
Receivable days	84.97	73.52	67.55	70.29	76.38	75.93	76.39	93.16	97.98	81.43	59.40
Inventory Days	62.71	63.71	64.60	71.80	74.21	79.39	90.36	95.44	101.05	76.30	45.18
Payable days	164.59	167.83	170.43	202.01	205.22	163.71	169.93	173.92	227.30	184.25	124.89
Cash conversion cycle	-16.91	-30.60	-38.28	-59.93	-54.62	-8.39	-3.17	14.68	-28.27	-26.52	-20.30

Growth Ratios	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Sales Growth(%)	16.93	19.84	22.83	23.20	33.42	21.42	24.47	14.79	8.00	28.74	59.76
Core EBITDA Growth(%)	22.32	44.50	13.68	17.24	37.11	19.88	70.74	20.44	15.45	51.37	69.78
EBIT Growth(%)	29.64	53.75	13.80	7.83	50.72	25.05	87.54	17.19	-3.23	62.00	84.58
PAT Growth(%)	4.31	118.01	28.09	-2.50	76.17	23.16	82.65	33.17	3.41	94.96	116.68
Adj. EPS Growth(%)	4.29	118.00	28.09	-2.50	76.17	23.16	81.52	33.17	-16.98	94.96	116.67

Liquidity ratio	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current Ratio(x)	1.08	1.15	1.15	1.09	1.15	1.12	1.18	1.21	1.10	1.59	1.72
Quick Ratio(x)	0.72	0.69	0.72	0.65	0.67	0.63	0.62	0.78	0.73	1.02	1.10

Solvency ratio	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Debt/Equity(x)	1.05	1.55	1.27	1.21	1.26	1.52	1.47	1.30	0.90	0.32	0.23
Interest Cover(x)	2.04	2.43	2.60	2.46	2.67	3.27	4.37	4.48	3.17	5.23	27.17
Total Debt/Mcap(x)	0.50	0.71	0.84	0.33	0.13	0.11	0.10	0.17	0.32	0.06	0.03

Valuation ratios	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Adjusted PE (x)	26.90	14.80	9.32	24.04	44.25	56.89	51.14	26.98	20.15	25.05	25.18
PCE(x)	12.05	8.94	5.91	12.48	29.17	40.40	40.36	22.26	12.51	18.30	21.36
Price / Book Value(x)	2.10	2.20	1.52	3.69	9.54	13.75	15.56	7.86	3.53	6.39	8.97
Dividend Yield(%)	0.94	0.78	0.97	0.39	0.12	0.08	0.05	0.07	0.11	0.09	0.04
EV/Net Sales(x)	0.72	0.83	0.57	0.84	1.78	2.30	2.99	1.94	1.47	2.36	3.14
EV/EBITDA(x)	7.86	7.44	5.58	8.53	17.73	23.13	21.96	13.60	9.63	13.12	16.45
EV/EBIT(x)	10.39	9.25	6.93	11.52	21.78	27.25	23.55	14.99	12.66	16.12	18.59
EV/CE(x)	0.80	0.92	0.64	0.99	2.37	3.23	3.89	2.20	1.13	2.93	4.69
M Cap / Sales	0.49	0.49	0.32	0.66	1.60	2.09	2.76	1.69	1.21	2.27	3.10

Cash Flow ratios	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash Flow Per share	0.67	0.68	1.40	1.44	-0.56	-0.53	-0.62	0.67	4.86	9.00	10.77
Price to Cash Flow Ratio	7.95	9.37	3.66	8.96	-75.07	-124.27	-174.81	113.66	9.70	12.70	23.10
Free Cash Flow per Share	-0.23	-1.59	0.34	0.50	-1.44	-1.96	-2.28	-2.57	-0.08	5.81	1.44
Price to Free Cash Flow	-22.83	-4.01	15.28	25.67	-29.00	-33.88	-47.41	-29.57	-558.11	19.67	172.72
Free Cash Flow Yield	-0.04	-0.25	0.07	0.04	-0.03	-0.03	-0.02	-0.03	0.00	0.05	0.01
Sales to cash flow ratios	16.18	19.05	11.32	13.59	-46.83	-59.45	-63.41	67.36	8.04	5.59	7.46

Du Pont analysis	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
PATM (%)	1.77	3.15	3.27	2.60	3.42	3.46	5.19	6.09	5.80	8.53	11.30
Sales / Total Assets(x)	1.24	1.28	1.30	1.34	1.53	1.59	1.55	1.32	0.98	1.17	1.86
Assets to Equity (x)	3.66	3.93	4.13	4.47	4.58	4.59	4.48	4.21	3.92	2.92	2.06
ROE (%)	8.05	15.89	17.55	15.60	23.99	25.31	36.03	33.89	22.17	29.22	43.31

Source- Ace Equity, KamayaKya research

FINANCIAL SHENANIGANS

(All figures are in ₹ crores unless mentioned otherwise)

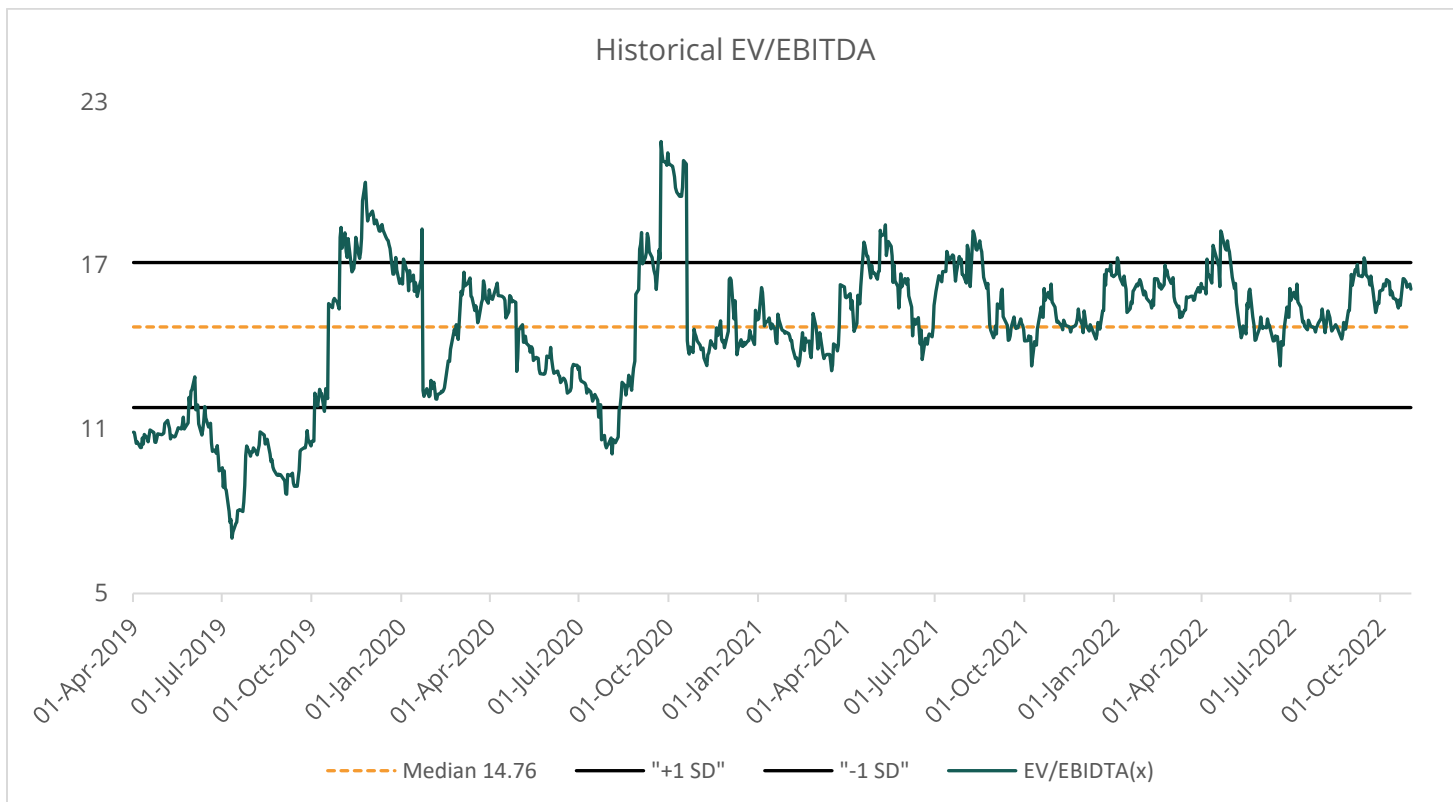
Year	2018	2019	2020	2021	2022	CAGR	Remark
Net Sales	305.58	350.77	378.84	487.70	779.16	21%	
Trade Receivables	80.80	103.18	106.97	124.50	151.55	13%	
Trade Receivables as % of sales	26%	29%	28%	26%	19%	-6%	Grown slower than sales
Inventories	94.20	94.28	122.46	94.40	115.57	4%	Grown slower than sales
Contingent Liabilities	13.47	4.83	36.93	13.57	9.43		
Equity	54.14	75.35	129.32	173.44	269.12		
Contingent Liabilities as % of equity	0.25	0.06	0.29	0.08	0.04		Negligible
Director's remuneration	0.77	0.82	1.33	1.58	1	5%	Renumeration as % of Net profit has been on the decreasing trend since COVID
PAT	16.48	21.94	22.69	44.23	95.84	42%	
Director's remuneration as % of PAT	5%	4%	6%	4%	1%		
Auditor fees	0.12	0.22	0.25	0.28	0.33		
Auditor fees as % of sales	0.04%	0.06%	0.07%	0.06%	0.04%		Negligible

VALUATIONS

(All figures are in ₹ crores unless mentioned otherwise)

P & L	2018	2019	2020	2021	2022	2023E	2024E
Net Sales	305.58	350.77	378.84	487.70	779.16	732.00	878.40
Total Expenditure	266.80	304.78	326.72	403.78	633.44	600.57	720.69
EBITDA	41.65	50.16	57.91	87.65	148.82	131.76	162.50
EBITDAM (%)	13.63	14.30	15.29	17.97	19.10	18.00	18.50
EBIT	38.83	45.51	44.04	71.34	131.69	115.40	138.48
EBITM (%)	12.71	12.97	11.63	14.63	16.90	15.76	15.76
PAT	16.48	21.94	22.69	44.23	95.84	84.18	101.02
PATM(%)	5.39	6.26	5.99	9.07	12.30	11.50	11.50

Expected EV/EBITDA	16.2
Enterprise value	2218
Net Debt	162
Expected M-cap	2470
Target price	255
Current M-cap	2053
Current price	212
Upside	20%



- Going forward, we estimate a 20% CAGR till FY24 (based on non COVID-19 products), driven by doubling of capacities in the lyophilisation segment, increase in market share of niche products and new product launches coupled with geographical expansion. We expect EBITDA margins for FY24 conservatively to be in the range of 18.5%. Currently, GBL is trading at a 17x EV/EBITDA multiple, we assign a FY24E EV/EBITDA multiple of 16.2x. We arrive at a target price of ₹255 which represents an upside of 20% from CMP which we believe can be achieved within 12 months.

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