



GUJARAT THEMIS BIOSYN LIMITED

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GTBL: CS: BSE-CORR/2023-2024

10th November, 2023

BSE Limited,

P. J. Towers, Dalal Street,

Mumbai-400001

Dear Sir/Madam,

BSE Scrip Code: 506879

Sub: Transcript of the conference call held on 7th November, 2023.

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 31st October, 2023, intimating you about the earning conference call for Q2 & H1 FY 23-24 with Analysts/Investors held on 7th November, 2023, please find attached herewith the transcript of the aforesaid conference call.

The above information is also available on the website of the Company at <https://www.gtbl.in/investor-meet-transcripts/>

Kindly take the same on record.

Thanking you,

Yours Faithfully,

For Gujarat Themis Biosyn Limited

Rahul Soni

Company Secretary and Compliance Officer



“Gujarat Themis Biosyn Limited Q2 FY24 Earnings
Conference Call”

November 07, 2023



**MANAGEMENT: DR. SACHIN PATEL – DIRECTOR, GUJARAT THEMIS
BIOSYN LIMITED
MR. TUSHAR DALAL – GROUP CHIEF FINANCIAL
OFFICER, GUJARAT THEMIS BIOSYN LIMITED**



*Gujarat Themis Biosyn Limited
November 07, 2023*

Moderator: Ladies and gentlemen, good day and welcome to Gujarat Themis Biosyn Limited's Q2 & Half Year FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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 Dr. Sachin Patel – Director, Gujarat Themis Biosyn Limited for his Opening Remarks. Thank you and over to you Dr. Patel.

Dr. Sachin Patel: Thanks very much. Good afternoon, everyone. I would like to wish you all a very warm welcome to the Gujarat Themis Biosyn Earnings Conference Call for the Second Quarter and Six Months ended 30th September 2023.

I would like to begin by expressing my gratitude to all of you for taking the time to join us today. We have with us on the call today, Mr. Tushar Dalal – Group CFO and Adfactors, our Investor Relations team.

Before we get into the business and financial performance, I would like to briefly share the recent developments and our strategic focus areas. Our production levels were maintained at optimal capacities during the quarter in discussion. However, in the previous quarter, we had sales from unsold built up inventory from the quarter before that, which has led to higher sales. Since the impact of built up inventory normalized this quarter, therefore, turnover appears lower than before. However, demand for both our products continues to be strong based on which we are continuing with current production levels.

This quarter witnessed higher growth in production and sale of Rifa S vis-à-vis Rifa O. While the product sales mix helped improved gross margins, higher investments in skilled workforce and R&D costs exerted pressure on the EBITDA margins. As stated, CAPEX plan is progressing as planned. We are in the process of obtaining the required approvals towards getting our R&D facility commissioned. The new facility will expedite our product development efforts and help broaden our fermentation-based product portfolio covering diverse therapy areas. We have also been investing in our talent base to support growth.

In terms of our forward integration endeavor, the process of commissioning our API block is going on track. We shall explore development of key APIs which not only leverage our core competencies, but also have a high growth potential. We shall focus on developing Rifapentine



since it is more likely to be recommended by the WHO as the preferred treatment for TB over Rifampicin. Moreover, Rifapentine also has the potential for treatment of latent tuberculosis. We are in advanced stages of development of some more APIs to add to this portfolio. Both our R&D and API block should be commissioned by December 2023. As the last leg of the CAPEX plan, construction of additional fermentation capacity is underway and is expected to be ready by 2025. Overall, in terms of the CAPEX status, Rs.60 crores are under capital work-in progress as of now. As already stated in the earlier calls, these new facilities will be compliant with global regulatory norms, enabling us to target export markets in addition to the domestic market.

Overall, we believe that with these strategic developments and course of action underway, we are well positioned to leverage our expertise and capitalize on opportunities in the global markets. Our vision remains to provide quality healthcare products while generating value for all our stakeholders.

Now, turning to our financial performance for the second quarter, that is Q2 FY24. We reported Rs.39.65 crores in revenues during the second quarter vis-à-vis Rs.47.69 crores in the previous corresponding quarter. Changes in product sales mix helped improved gross margin; however, our EBITDA for the quarter stands at Rs.16.82 crores, decreasing 31% year-on-year and the EBITDA margin is 42.42%, down by 875 basis points year-on-year. Increased investment in skilled force as well as R&D costs impacted EBITDA margins during this period. Our PAT during the quarter is Rs.12.54 crores as against Rs.18.7 crores in the previous corresponding period. The PAT margin stood at 31.63%. The EPS for the quarter is 8.63 per share.

Now, coming to our “Half Yearly Performance.” We reported Rs.89.24 crores in revenues during H1 FY24, a 3.66% decline over the previous fiscal first half. Our EBITDA for the period stood at Rs.40.33 crores while the EBITDA margin is 45.19%. Our PAT for half year is Rs.30.27 crores as against Rs.36 crores in H1 last year. The PAT margin stood at 33.91%. EPS for the year is 20.83 per share.

The company furthermore undertook a subdivision of its equity shares with each share of face value Rs.5 divide into five equity shares of face value Rs.1, each effective from 11th October 2023 after all regulatory, statutory and shareholders’ approval were received.

This is all from our side. We can now take questions.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go ahead.

Dhruv Bajaj: So, my first question was that you have earlier guided that we are working at full capacity and building up inventory in Q4 to ensure that we can grow our volumes in FY24 till the time new capacity comes up. However, as you have mentioned in the commentary earlier that since we earlier got the benefit of inventory in previous quarter, so our growth was not very good in this



quarter. So, I wanted to know now what will be the guidance for the full year and when can we expect the new CAPEX to start leading to some revenues?

Dr. Sachin Patel:

So, first and foremost in the first quarter of this current year, we were carrying on inventory from the previous two quarters of last year, and similar was the situation last year whereby we were carrying inventories from the last two quarters. Now, currently, the way situation is the inventory is pretty much regularized, we don't have any carry forward inventory, which means whatever we are producing, we are selling. I can only say as we see the situation right now is that the demand is strong and we feel that the capacity utilization is pretty good. So, if we were at let's say 75%, 80% capacity utilization... and the capacity utilization, I mean, sales, we hope to do better this year the way we see the demand right now. So that is with regards to the growth and how we see the rest of the year. With regards to the CAPEX coming into place, we should start seeing additional revenues come up in the next financial year from the API block that we have created. As we said, the same is going to be commissioned by December, which means we can take about six to seven months, maybe eight months after that from where the exhibit batches would have finished the stability studies, and we would be able to sell the same in the market.

Dhruv Bajaj:

My second question is that how has been the pricing for our products considering we have seen a sharp drop in the gross profit margins as well? And will the margins for Rifapentine be higher than our current ones considering it is a forward integration initiative?

Dr. Sachin Patel:

So, we definitely expect the margins for Rifapentine to be better than where we are right now, no question about it. Otherwise, it would not make commercial sense for us to go up the value chain and make this kind of CAPEX. So, absolutely, yes. With regards to the gross margins which are there or the overall EBITDA margins which are there, there are two factors which impacted us this quarter. So, if you see overall through quarters, almost for about the last two years EBITDA margins have been reasonably good. But two things that affected us this year more than production costs, etc., were I think some one-time expenses, at the same time R&D expenses with more people coming in... and this is going to happen because we will have R&D expenses come up more than what they were before if we want to grow the business and if we want to increase our top line and increase our product mix. So, this is a part and parcel of it, but not to this extent as we have experienced this quarter because as I said there were some one-time expenses that we had to make.

Dhruv Bajaj:

If my understanding is right, then Rifapentine is an API that will be produced by Lupin as well. So, earlier we used to supply them intermediates, which were then used by them to produce the API. So, will our forward integration efforts affect our relationship with them or like how are you telling them to sell this considering earlier we were dependent on only two customers for our entire sales?

Dr. Sachin Patel:

We don't intend to disturb any of our relationships, and we are planning things accordingly whereby we are able to fulfill the requirement of all our partners and yet be able to do what we



aspire to do in the future. So, that is something that we are working on. How we are going to manage to do this is something that we have not put out in the public domain yet. To answer your question, both the customers are very important for us. We will continue to cater to them and we will also follow our aspiration.

Moderator: The next question is from the line of Tarun S from Sanchay Capital. Please go ahead.

Tarun S: Firstly, congratulations on a decent set of numbers despite the inventory issue that you were facing last time. Also, it is very encouraging that you have acknowledged that you people are going into Rifapentine. Because this is a new announcement, I just wanted to understand the lay of land as in what is the competitive and the intensity of this particular API and how much of that is being produced domestically vis-à-vis import is being fulfilled by import, so if you can help understand what is the domestic consumption of this API and what percentage is being led by imports?

Dr. Sachin Patel: Rifapentine relatively is a very new kid on the block because it was only last year that the WHO came out with the guideline stating that Rifapentine should be used as a first line treatment for tuberculosis rather than only latent tuberculosis, and the reason being that use of Rifapentine rather than Rifampicin reduces the duration of treatment for tuberculosis patients from six months to four months. So, as you can imagine, this is a very recent development. Countries are gearing up to it, WHO is gearing up to it, other funds are gearing up to it. So, while Rifapentine has been in the market globally for a very long time, it is very recently that the companies have started developing it. That's a bit of a background to the Rifapentine story. So, we are all preparing for large-scale manufacturing of Rifapentine on behalf of this guideline coming out from WHO, where we anticipate on the basis of the benefit that the tuberculosis patient has, the market will shift from Rifampicin to Rifapentine as time goes by. And we are there to capture whatever we can in lieu of the entire supply chain that we have. So, in India, I think the tenders for Rifapentine are just floated, some of them about to get finalized, but a lot of them will be finalized in due course of time. So, it's all very new for everyone, but I think the important thing is to have those capacities put into place to be able to fulfill the requirement of whatever the demand is, directly or indirectly.

Tarun S: Based on my understanding I think Sandoz bought a capacity of close to 10 MT and Lupin also got close to 20 MT. Is that the right understanding if you can help with?

Dr. Sachin Patel: No, no, I don't know what the capacity is for Sandoz or Lupin are for Rifapentine.

Tarun S: In that case, just to flip it around, what is the initial capacity that we are looking at?

Dr. Sachin Patel: We have built a capacity for about 7 to 8 MT per month.

Tarun S: Something related to that, so, domestically how big this opportunity could be in terms of metric tons?



- Dr. Sachin Patel:** Very early days to say because the first bit of tenders that have come out from the Indian government, talk about anywhere close to 30 to 40 MT tons of Rifapentine for the year... maybe a bit higher. But, we have a long way to go.
- Tarun S:** The last question on this line is, if you can help with, is it predominantly being catered with import or is it that domestic people are able to meet the requirement?
- Dr. Sachin Patel:** So, one of the conditions for Indian tenders is as a part of the Make in India project is that 80% of the products that you are supplying to the government should be made in India. So, it is imperative that whoever wins the tenders and whoever supplies the product to the government, the raw material, which is a major component of the cost of the product should be produced in India, to be qualified for these tenders.
- Tarun S:** Yes, that is about India tender business. What about WHO tender just in case we are applying for that? I don't think that could be updated for global tender.
- Dr. Sachin Patel:** So, for global tenders, I think they are still supposed to come out, it is still going to take some time, but it will happen during the course of a year or two years.
- Tarun S:** Still, our customers, for example, say Lupin would be pretty much participating into tender because they have already got a volume contract from WHO and global fund. So, even from their perspective, is it that predominantly the API is being supplied by Indian producers or is it import play as well?
- Dr. Sachin Patel:** I would not be able to comment on all the details of what Lupin does, because as you can imagine this is their business and it is something that they would not share with us so openly.
- Moderator:** The next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go. Right.
- Keshav Garg:** Sir, I'm trying to understand that last year in the call you had mentioned that we were expecting around 25% to 30% growth in FY24 in terms of revenue. So, that should translate between Rs.190 and Rs.200 crores top line for the current year. So, is that understanding correct and are we on track to achieving the same?
- Dr. Sachin Patel:** What I had mentioned is that if 100% capacity utilization is there, that is where we should grow... and that is what we are looking at because as we have mentioned in the investors presentation that we have put up and as I have mentioned in my opening remarks, essentially, we are selling whatever we are producing now, so we don't have any backlog of inventory left, which means if the same trend continues over the next two quarters, we should arrive at those kind of numbers... and what we can say right now is that the demand is looking pretty strong.



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- Keshav Garg:** But like last quarter second quarter we did Rs.40 crores top line and we produced and sold our full capacity. So, going by Rs.40 crores quarterly top line, we will reach somewhere around Rs.160 crores on annualized basis without any change in inventory. So, I mean that's –
- Dr. Sachin Patel:** That's not the correct number, right, because we are at about Rs.90 crores right now.
- Keshav Garg:** Sir, but in first quarter we had some past inventory which we sold, but in the second quarter it's a steady state -
- Dr. Sachin Patel:** So, you might as well take the second quarter numbers, right?
- Keshav Garg:** Right. So, Rs.40 crores if we annualise it, so it gives us Rs.160 crores revenue and not 200, it's not closer to Rs.200 crores. So, we need to reach somewhere around Rs.50 crores top line to reach Rs.200 crores annualized revenue. So, are we on track for that?
- Dr. Sachin Patel:** No, it will not happen this year. The capacity as we mentioned is what we are using right now.
- Keshav Garg:** So basically Rs.40 crores per quarter is our optimal capacity and we are already operating at the same, so we should expect the same trend going forward until –
- Dr. Sachin Patel:** Maybe a little bit up or down you'll see, but yes, on the whole, you are right.
- Keshav Garg:** So basically, till the middle of next financial year when our new API block revenue start coming in, we should expect broadly the same quarterly top line of around Rs.40 crores, is that understanding correct?
- Dr. Sachin Patel:** Roundabout, yes.
- Keshav Garg:** What kind of jump can we see by let's say three, four quarters down the line once the API revenues kick in, so what kind of delta can we see in the quarterly run rate?
- Dr. Sachin Patel:** I don't think that we are going to go out and give those statements right now. We can only say that our API block is beginning in December because as I explained in the previous answer that I gave, one of the key products that we're going to be working on is Rifapentine. It's a new kid on the block, the upside is massive, the pricing is extremely interesting right now. So, the numbers could be significantly different from what we are seeing right now, but it all depends upon how Rifapentine as a product picks up. While I said that, I also mentioned what is the scenario with the Indian government in terms of tenders and what is happening globally where everyone has moved to the Rifapentine. So, I can only say that Rifapentine is looking quite interesting. Now how much we are going to sell once our API plant starts, I think it's something that would really be a forward-looking statement.



- Keshav Garg:** Lastly, sir, there was an announcement that we are working with Themis Medicare API division for some joint work or some sharing of infrastructure and sponsors. So, if you could shed some light that what exactly are -?
- Dr. Sachin Patel:** The two sites are next to each other and maybe some analytical services, etc., are shared between the two and because it is a related party transaction, we have to put a kind of approval process in place that, you know, this amount of money could be spent on either side for using each other's infrastructure, so it was on account of that and nothing else.
- Keshav Garg:** The revenues from that infrastructure sharing, etc., can it be significant like if you could -?
- Dr. Sachin Patel:** It's less than Rs.5 lakhs. But it's a related party transaction just to be compliant and good governance.
- Moderator:** The next question is from the line of Nirvana Laha, an individual investor. Please go ahead.
- Nirvana Laha:** So, my question is more towards understanding the relationships that you enjoy with some of your most important customers. So, a few years back, you changed your model from a contract-based model to a more market-based pricing which led to significant expansion in your EBITDA margin. But your customer, at the other end, I'm just trying to understand that this must have also had an impact on their sourcing price and therefore their ability to compete in the market by procuring intermediates from you. But the relationship seems to have remained intact and is going as strong as ever judging by your commentary and also by the numbers. So, can you help us understand what is the relationship to stay intact even after such a big change?
- Dr. Sachin Patel:** Sorry, I've missed one particular one. Did you say, what has made sure that the relationship is intact even after such a big change?
- Nirvana Laha:** Yes, even after such a big change in terms of your pricing towards them.
- Dr. Sachin Patel:** I think we went away from that model to move to this model. So, first of all it's quite an old story, but nevertheless it remains intact because we still work on a win-win relationship, it's not that we are looking at taking advantage of the whole scenario or we are being opportunistic in our business. We are working with all our partners whereby we can maintain this kind of a relationship over the long term. So that is the only reason why any relationship like this would continue, right?
- Nirvana Laha:** Right. Dr., if you could help us understand the win from your customers perspective, because that is something we're not able to understand. So, unless there's something that you would -?
- Dr. Sachin Patel:** That is something that you should ask my customers because I feel it's a win-win on both the sides and anything more detail than that would be very strategic in nature and confidentiality if I may say so.



Nirvana Laha: My next question is that if you look at Lupin, there are competitors for Lupin from India now who have announced that they are backward integrating into say Rifa S under PLI. So, my question is, will this not put Lupin also under pressure to compete on costs with them? and we understand that they are also capable of manufacturing Rifa S, but we are right now supplying to them. So, how do you see this evolving -- is it likely to affect our relationship in the future?

Dr. Sachin Patel: I don't think so. So, as you rightly said, the announcement was made some time ago, it's not a recent announcement, right. So, I think everyone has prepared themselves for whatever has to be done in the future to make sure that they have their business secured, it's not just us or our partners or someone else who's in the market, everyone would take care because the investments that are required in this kind of a project are quite significant. So, unless you have certain surety of business you would not embark upon something like this. So, I think we're not overly concerned about any new production facility coming up in India.

Nirvana Laha: Would you be able to confirm if the announced capacity has actually started producing and supplying or not as far as you know?

Dr. Sachin Patel: No, I don't want to comment on what anyone else is doing.

Nirvana Laha: Last question, Dr. Patel is with respect to China... now you've addressed this before, but just trying to understand what are the dynamics with respect to exports from China for us right now? And do you think that it is possible that there is a shift towards sourcing from China for, say, global contract, etc., because for India you've explained, but do you think that remains a threat or have we gone beyond that and that is no longer relevant?

Dr. Sachin Patel: I think it is always relevant. I think any other producer across borders producing the same product and competing it's always a possibility. But as I've said in the past, the market is only so much, whoever enters into the market and is disruptive, should do it for a good reason, and that good reason hopefully is profitability. So, we'll have to wait and watch what is happening. But I think we are reasonably okay with our planning and our strategy and hence the commitments towards the CAPEX that we are doing.

Moderator: We'll take the next question from the line of Saloni Hemnani from Molecule Ventures. Please go ahead.

Saloni Hemnani: I just had two questions regarding the CAPEX. So, if I calculate in FY22, we did Rs.14 crores, in '23, we did Rs.24 crores and in the last six months we did Rs.41 crores, that equals to around 78 crores spent in the last 2.5-years, which was around Rs.80 crores a Phase-I CAPEX. So, are we through the Phase-I CAPEX or do we require some more till the plant gets commissioned in December?

Dr. Sachin Patel: We may require a little bit more. I'm not very frankly speaking very sure of how much exactly is required. Unfortunately, Mr. Rajneesh Anand was also supposed to join this particular call,



but for unfortunate reasons, he has to be occupied elsewhere. But it's not going to be a very significant amount, which is now going to be required if any to commission the last month which is there. I don't think we are going to any significant overrun to what we had budgeted in the past.

Saloni Hemnani: And sir in the PPT that we have mentioned FY24 to be the timeline, but we are sticking to our original December, right and in the next six months you are assuming that the trial will get started and commercialization will happen.

Dr. Sachin Patel: That's right.

Saloni Hemnani: Any revision in the earlier Rs.200 crores capacity expansion amounts due to the new areas that we are thinking of exploring and developing in terms of new products that you mentioned?

Dr. Sachin Patel: Yes, we are currently working on it. The initial plan was about Rs.200-odd crores on the basis of how the new projects that we are working on, we are thinking about this might increase significantly upwards, but it's not finalized yet, once it's finalized, we will come back and report on this thing, it is work-in progress.

Saloni Hemnani: You mentioned significantly upwards. A ballpark figure or any range would also help if that's okay?

Dr. Sachin Patel: At least double if not more, something that we are working on, but not finalized as I said.

Saloni Hemnani: Sir, regarding the volumes that you mentioned that we will be selling what we are producing. So, am I right in that sense that there will be no particular inventory-related profitability that will basically come in, in the next quarters or the next year, which we did in the last quarter and last year as well?

Dr. Sachin Patel: I can tell you only how the demand is looking right now and that is looking pretty good. Now, if this changes tomorrow, we don't know. But right now, they are looking pretty solid.

Saloni Hemnani: So, apart from the two factors that you said that impacted our margins, one was R&D, so we have we've hired more people and that's why the cost of hiring has gone up with the R&D, you meant that, right?

Dr. Sachin Patel: Yes, hiring and also when you are developing a product, there is a certain stage at which significantly higher investments are required. So, I think, we went to one of those stages. And secondly, we also had some-one off expenses that we had that were accounted for. So, that was the main reason.

Saloni Hemnani: One-time expenses, these are the two reasons that impacted our EBITDA margins, correct?



- Dr. Sachin Patel:** That's right.
- Saloni Hemnani:** So, just one last question on the potential number that can come once our CAPEX is done. So, from this Phase-I, when this gets completed, any idea on the top line that could be contributed from this API, and in this API are we doing just Rifapentine, what are the details in the products?
- Dr. Sachin Patel:** So, we are doing half a dozen APIs, but Rifapentine is the one that will give volume-based API that we're looking at, merely because of the price of the products and the quantum that we are anticipating, but of course, there are there are other APIs also that are ready for technology transfer once the API block is up. But in terms of revenues that we will generate from there, no, we are not making any speculations on that as yet.
- Moderator:** The next question is from the line of Nirvana Laha, an individual investor. Please go ahead.
- Nirvana Laha:** Dr., Patel, you mentioned that you're seeing that WHO is pushing for Rifapentine because the treatment duration is lower. So, if we look at the dosages required for Rifapentine, the grammage needed through the course which now will probably become one month or weekly one, etc., The Rifapentine consumption by the patient is dropping significantly compared to the Rifampicin consumption that used to happen in the earlier dosages. And now, even with the yields that are poorer for Rifa-S to produce Rifapentine, that would mean that, our sales to our customers for Rifapentine, say suppose Rifapentine is replacing Rifampicin, our sales of intermediate to them should go down significantly for that kind of volume, right, is that understanding, correct?
- Dr. Sachin Patel:** I don't think so. I could be mistaken over here. We will also double check. Maybe you can do the same, but we understand that although the treatment duration has come down, the amount of Rifapentine which is required for the four months is higher than the amount of the Rifampicin which is required for six months. But I could be mistaken. I'll double check also on this, but perhaps you could also. There are multiple areas where for reasons why we feel that the volumes of the intermediate that we are producing would not come down because you also have another molecule over here, Rifaximin, which is going to go off-patent in certain countries in a few years and then of course in the US also when it does. So, when it goes off-patent, the volume should increase significantly.
- Nirvana Laha:** Dr., if I can request something, so whatever document I was able to access, I've done some calculations basis that if I can write to you in some way and if somebody from your team could respond to clarify, that would be great.
- Dr. Sachin Patel:** Sure, sure, sure.
- Moderator:** We'll take the next question from the line of Dhruv Bajaj from Smart Sync Investment Advisory Services. Please go ahead.



- Dhruv Bajaj:** So, I had two questions basically. So, first is, are we getting any PLI or any other form of government benefits for the new CAPEX that we're doing considering the government is very gung-ho on fermentation-based facilities in India?
- Dr. Sachin Patel:** We're not getting any PLI, but there are incentives which are there by the Gujarat government for this particular space of work which we are most definitely claiming.
- Dhruv Bajaj:** Can we quantify it by any way or -?
- Dr. Sachin Patel:** Yes, there is some quantification possible. I don't know personally about it, but our team will be happy to share it.
- Dhruv Bajaj:** If you can share the number then that is fine or if you want to take it later, then that's also okay?
- Dr. Sachin Patel:** They will also have to refer back to the people who are managing this. So, he will be able to share the numbers at a later date.
- Dhruv Bajaj:** Okay, sure. No issues, sir. My second question is based on a filing with pollution control board, so we are falling into two new chemicals, that is Vancomycin, HSCI and Daptomycin. So, can you give the idea regarding the potential of this product and the competitive intensity since Concord Biotech is also going into that particular molecule?
- Dr. Sachin Patel:** I think they are already there in those products. So, the pollution control application which has been filed is a very comprehensive one. It is not necessarily that we'll be producing the same products or all of them. There is a general approval which is received and then under the regulations one can file for product change depending upon what you really want to produce. At that particular time, those were the plans, but now they are significantly different from where we started off. So, in due course of time, the amendments will be filed for which approvals will be hopefully received.
- Moderator:** The next question is from the line of Tarun S from Sanchay Capital. Please go ahead.
- Tarun S:** As a follow up, I wanted to understand both from a realization perspective and margin perspective if not in absolute term, it is okay even if you give it into an exponential percentage term. What is the pricing difference between Rifapentine and Rifampicin if you can?
- Dr. Sachin Patel:** It's a very difficult one to say because I mean you can check the import data and on the basis of that you will see that Rifapentine is priced at about anywhere between \$450 to \$500. Rifampicin is priced at about \$160 and \$170. So, this is the import data. Without getting into what people are selling domestically etc., but this is what the import data says.
- Tarun S:** And the number that you are referring to would be per Kg, right, \$450?



- Dr. Sachin Patel:** Yes.
- Tarun S:** Likewise, from a margin perspective, is it kind of –
- Dr. Sachin Patel:** Very difficult to comment on that because everyone has different yields, it's a new product, so yields are different, the costing is different, there are lots of intricacies. So, I would rather not comment on that.
- Tarun S:** Also, just now you alluded about a significant CAPEX which could be going beyond Rs.200 crores that we have already communicated, maybe a sort of Phase-III. So, are we looking at funding this with internal accruals or some sort of debt or equity dilution, etc., that we are thinking about?
- Dr. Sachin Patel:** So, this CAPEX is going to be over the next three years like we had planned about two years ago what we'll be doing for three years. Now, we are planning from here on what we are going to do. So, from that perspective, obviously, the numbers would change upwards. And some of it would be from internal accruals, but definitely we will be going for debt-equity. We don't know whether it will be debt or equity or it will be a mix of two, we will decide over the next six months to nine months which we believe.
- Tarun S:** Also, on those new products, by any chance are we going to apply for a PLI benefit or are we going to apply for say, Gujarat Biotech Promotion Board for incentive, etc., something which can aid on the funding side?
- Dr. Sachin Patel:** I already mentioned to the previous question that we are going for the Gujarat Government Biotech promotion side, we have already applied for it, but we are not going for any PLI scheme which is the central scheme which is there.
- Tarun S:** My reference was for this additional CAPEX that we are talking about. So, any of these products -
- Dr. Sachin Patel:** I'm referring to the same.
- Moderator:** The next question is from the line of Manoj Rajani, an individual investor. Please go ahead.
- Manoj Rajani:** There has been a decrease in our inventory cycle which has kind of resulted in a more favorable working capital cycle. So, is this primarily attributable to the sale of the pent-up inventory or does the company have a more sustainable working capital cycle, so just trying to understand the vision here?
- Dr. Sachin Patel:** In fermentation, we don't stop manufacturing, it's a continuous manufacturing cycle, each batch is a few days, so 10 to 12 days, maybe more. So, on the basis of the same, we continuously produce, but in case the demand is less, we have to build up inventory. A year and a half or two



years ago we actually set the plan for three months, but last year we did not, so inventory piled up. And the reason why we did not stop the plant is because we were anticipating demand to come in, which it did in the first quarter of this year. If the demand is low, inventory will get built up, but we will continue to produce because we have a fair idea in terms of what the demand is going to be like if not in this quarter or this month, then at least in the foreseeable future. So, unless we see the demand is really going down in the foreseeable future, we would not shut the facility.

Manoj Rajani: Just coming back to the sales volume basically for Rifa S and Rifa O during the quarter, what is the expectation for the full year?

Dr. Sachin Patel: So, over the entire year, we would expect almost about 50:50 of both, but quarter-to-quarter there may be a variation because one company for example wants to produce and campaign manufacturing basis, the other one wants to buy it at different time. So, on the whole, the way we are seeing is that it evens out.

Moderator: We'll take the next question from the line of Supan Parekh, an individual investor. Please go ahead.

Supan Parekh: So, I would like to ask about your utility cost increased year-on-year. So, what do you expect like how it would be for the -

Supan Parekh: So, I just wanted to ask like your utility cost has increased year-on-year, So what are you expecting like would it be the same for the next few quarters or what would it be?

Dr. Sachin Patel: Utility cost is essentially directly related to the power tariff. So, if the costs are going up, it'll go up. And this is our biggest expense in our products, right... it's power, energy. So, if the tariffs go up, it goes up because our consumption doesn't go up, it is essentially the prices that go up. So, I think like everyone else we are planning for alternatives, but it is going to take time.

Supan Parekh: Also, the R&D expense, are we expecting it to be like increase, decrease or will it be on the same level for this financial year?

Dr. Sachin Patel: The R&D expenses will have ups and downs quarter-on-quarter. As I explained again on the previous answers that if there is a spurt of activity that is happening, the expense will go up, otherwise it should come down, but it is impossible to predict what will happen quarter-on-quarter at this particular stage when we are really going full steam in terms of development of products for the future. So, for a long time, we were waiting for our R&D block to come up and now that it is almost there, influx of people, at the same time things happening, materials coming in. So, it's a bit of an action-packed high if I may say so.

Supan Parekh: The employee expense, which grew year-on-year percentage of sales, So what is the reason for this?



- Dr. Sachin Patel:** Well, one is increments year-on-year and the second part of course is now more people have come in, in order to be prepared for the infrastructure which is going to come up very soon.
- Moderator:** The next question is from the line of Saloni Hemnani from Molecule Ventures. Please go ahead.
- Saloni Hemnani:** Sir, just a follow-up question on the new API plant, how many tons per month of Rifapentine are we setting up for the Phase-I?
- Dr. Sachin Patel:** Someone else asked this particular question. I said about seven tons per month is what we will be able to produce, but I think as I give this particular number, it is going to be very flexible because it's a multi-purpose facility. So, you will be able to produce multiple APIs if Rifapentine is not there, we clearly produce something else and so forth I think what I can say is that the total capacity that we have built up is more than adequate for what we see in terms of tonnage what is required from our own production of Rifa S and Rifa O to be consumed over there.
- Saloni Hemnani:** So, you're saying that apart from captive consumption, you will have surplus capacity left for your Rifa S or it will be 100%?
- Dr. Sachin Patel:** My point is the API block is made in a way whereby we should be into the Rifapentine and other molecules, whether they're semi-synthetic or synthetic. So, the capacity is built up as a multipurpose capacity, not thinking that we are going to produce only one particular product, but yes, if we have to produce Rifapentine, this is what we can produce.
- Saloni Hemnani:** So, this is the maximum that you can produce, right?
- Dr. Sachin Patel:** Well, what API business is like you start off with a particular capacity and you very much hope and try and make sure that it keeps on increasing as time goes and as requirement goes, so we'll see how it goes.
- Moderator:** The next question is from the line of Nikhil Arora, an individual investor. Please go ahead.
- Nikhil Arora:** I just wanted to know who is GTBL's top customer right now and is there any risk like pertaining to customer concentration at present?
- Dr. Sachin Patel:** GTBL has got two key customers; one is Lupin and the other one is Optimus. And I think over the last few years the relationship with both these customers has been reasonably good to ensure the continued business that we've been able to do with both of them.
- Nikhil Arora:** Sir, any new markets or countries which we are targeting for exports?
- Dr. Sachin Patel:** So, with the new block coming up, new products coming up, etc., of course, we will be looking at the global market because the facilities that are coming up are as per global requirements and standards, we should be able to sell this in any and every geography of the world.



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- Nikhil Arora:** What is the current capacity utilization level?
- Dr. Sachin Patel:** So, in the last financial year it was about 75% to 80%. In the current year, we are selling as we are producing.
- Nikhil Arora:** So, that would be roughly around the same range, 75%, 80% or -?
- Dr. Sachin Patel:** No, more than 100% because we have inventory from last year.
- Moderator:** Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Dr. Sachin Patel, Director, Gujarat Themis Biosyn Limited for his closing remarks. Over to you, sir.
- Dr. Sachin Patel:** So, I would like to thank the entire team of GTBL for their untiring efforts, hard work and dedication which drives the company forward through various market conditions. Also, I thank all of you for participating in our conference call. Please do get in touch with our investor relations team for any further questions.
- Moderator:** Ladies and gentlemen, on behalf of Gujarat Themis Biosyn Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines.