

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs212	16.5	Buy	Rs300	41%

*as on 20th Feb, 2023

About the Company:

Incorporated in 2000, Gufic Biosciences Limited (Gufic) is a Pharmaceutical company closely held by Choksi family, who hold 70% stake directly or through group companies. The company was formed through a buyout of a non-operational listed entity Central Finance Limited, a consumer credit company. The promoters of the company have been in the Pharmaceutical industry since 1960, ever since they incorporated Gufic Pharma Private Limited (GPPL). Gufic has been in the business of manufacturing and marketing injectable products since late 1970s. The group had earlier exited its API and formulations manufacturing division through a sell-off of its six major brands such as Mox (Amoxycillin) Injection, Zole (Miconazole Nitrate) etc. to Ranbaxy in 1997. The promoters then re-entered pharmaceutical formulations segment through incorporation of Gufic Biosciences Limited. Gufic has established itself in the Pharma, herbal and biotechnology business with the key focus being on contract manufacturing for various leading pharmaceutical companies in India.

Results: Quick Glance:

- The net sales came in at Rs1,775mn as compared to Rs1,721mn in the same quarter last year, growth of 3.1%
- The Ebitda margins stood at 18.8% as against 19.0% in Q3FY22
- The net profits dropped by 3.3% at Rs203mn as compared to Rs210mn in the comparative quarter
- The EPS for the quarter is Rs2.1

Conference Call Highlights:

- The quarter was driven by the growth across the Healthcare, Fercicare segment, Exports and Stunnox sales
- **Criticare:** The segment continues to be one of the key segments through the antifungals and antibacterial offerings. **Sparsh** as a subdivision has been launched with primary/secondary research on field completed. Of the total 300 molecules (addressable market of Rs9500cr, growing at CAGR of ~12%), 130 molecules are launched in phase-1 which have a market representation of ~7500cr. The company expects to capture 20-25% market share in the first two years with Rs5000-6000mn captured over a period of 5-7 years. The products selected are different from the Criticare segment and should have a run-rate of Rs1,000mn from 2024-25. The company has deployed dedicated field force for the same. The company has launched Ceftazidime + Avibactam in Jan 2023
- **Fercicare:** The division continues to register high double-digit growth for female infertility hormones such as Puregraf (HMG) and Puretrig (HCG). Dydrogesterone has been launched and is progressing well. The company continues to increase its penetration for Enoxaparin in the infertility segment
- **Healthcare and Spark:** The healthcare segment has grown 18% y-o-y. Gufic has initiated trial of a new product made from an Indian gum by a standardized extraction process for use in the management of asthma. Sallaki continues to be the market leader in Boswellia Serrata
- **International Business:** Although on a small base, traction from the international markets continues with added triggers once Indore gets in place. 3 new product approvals are received for Columbia/Kenya and Philippines
- **Arisia:** It has been started in Mumbai. The 20+ aesthetic procedure combinations will offer skin and body transformation through FDA approved technologies. There have been 5 batches that have gone through (2 for cosmetic gynecology and 3 for face/body)
- **Aestherderm:** Stunnox continues to increase penetration in the market, maintaining the m-o-m growth. The company has started the process for registering dermal fillers and hopeful to launch these fillers soon
- **Innovation:** 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, anti-diabetic, cyclopeptides hormones. These development projects are all progressing in line with the plan. With regard to the dual chamber bag; the company is awaiting approval for launch from the NPPA, anticipating launch in Q1FY24
- The **Indore plant** civil construction (90% completed), site development, installations coupled with validations is on track with commercialization expected by June/July 2023. The capacity enhancement would be around 1.5x; total Gufic capacity to be increased to 2.5x. It would also open avenues into the regulated markets. Different certifications should start kicking-in from CY24. The domestic:CMO would be in 50:50 ratio including the spill-over expected from the domestic front once Indore starts and also addition from Sparsh and own brands

Financials:

Performance (Q3FY23)									
Q3FY23 Result (Rs mn)	Dec-22	Dec-21	y-o-y	Sept-22	q-o-q	9MFY23	9MFY22	y-o-y	FY23E
Total Revenue	1775	1721	3.1%	1748	1.5%	5176	6170	(16.1%)	7013
EBITDA	334	327	2.1%	326	2.4%	992	1142	(13.1%)	1332
Other Income	8	15	(50.5%)	8	(7.5%)	20	31	(36.3%)	31
Interest	22	10	-	16	34.4%	47	38	23.3%	73
Depreciation	47	45	5.7%	46	3.9%	137	128	6.7%	184
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	69	77	(10.2%)	70	(1.9%)	212	251	(15.5%)	299
Net Profit	203	210	(3.3%)	202	0.6%	616	756	(18.5%)	808

Outlook and Recommendations:

The company has optically reported a flat quarter but one must keep in mind the covid related contribution in 9MFY22, which is not there in the current year/quarter. Thereby, the sales reported are purely based on non-covid demand/sales for the quarter. Sequentially as well, the numbers have been flat across the P&L. Operationally the company has maintained the operating margins which stands out the cost efficiency measures taken during the quarter. All the segments of business have different rationales to look for may be in the form of a prospective product or a recent launch garnering opportunities and market share. Gufic continues to focus on enhancing the market share in both the Criticare and Ferticare division. The company has reiterated growth rate of 15-20% betting on the growth through the international markets (with the Indore facility commercialization) and organic growth on the domestic front. The Indore facility would be a major add-on to the revenues; with initial 1/2 years dedicated to the domestic demand and CMO opportunities, until the approval for the regulated markets are in place. The capacity enhancement through the Indore facility also leads to dedicating different units of Navsari for different lines of business. The company is well defined in terms of innovation and focus on niche products offerings, as R&D continues to remain a requisite. Although the company has taken the head start of filings across different international markets, targeting the regulated as well; the India story remains intact. Overall, we feel that Gufic has many WIP kind of triggers to look at which it is working on dedicatedly and well strategized. It is one of the apt candidates for long term investors. We maintain Buy on the stock for a target of Rs300.

DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH000000859. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research analyst has served as officer, director or employee of the subject company: NO

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and its at the discretion of the clients to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

Registered Office Address:

Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Indl Estate,
New Link Rd, Andheri West,
Mumbai—400053, Maharashtra
www.progressiveshares.com | Contact No.:022-40777500.

Compliance Officer:

Mr. Shyam Agrawal,
Email: compliance@progressiveshares.com,
Contact No.:022-40777500.