



GUJARAT THEMIS BIOSYN LIMITED

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GTBL: CS: BSE-CORR/2022-2023

21st November, 2022

BSE Limited,

P. J. Towers, Dalal Street,

Mumbai-400001

Dear Sir/Madam,

BSE Scrip Code: 506879

Sub: Transcript of the conference call held on 16th November, 2022.

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 4th November, 2022, intimating you about the earning conference call for Q2 & H1 FY23 with Analysts/Investors held on 16th November, 2022, please find attached herewith the transcript of the aforesaid conference call.

The above information is also available on the website of the Company at

www.gtbl.in

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 FY23 Earnings Conference Call
November 16, 2022

Moderator: Good morning ladies and gentlemen and welcome to the Q2 FY2023 Earnings Conference Call of Gujarat Themis Biosyn Limited. 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 guarantees 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 from Gujarat Themis Biosyn Limited. Thank you and over to you, sir.

Dr. Sachin Patel: I would like to wish you all a very warm welcome to GTBL's Earnings Conference Call for the second quarter and half year.

Moderator: Sir sorry to interrupt but your voice is breaking. I would request you to come in the range please.

Dr. Sachin Patel: Is this better.

Moderator: Yes sir, please continue.

Dr. Sachin Patel: So once again, good morning, everyone. So thank you very much first of all, and good morning, everyone. I would like to wish you all a warm welcome to GTBL's Earnings Conference Call for the second quarter and a half the year ended 30th September. I would like to begin by expressing my gratitude to all of you for taking the time to join us today. On this call today we have Mr. Rajneesh Anand and Mr. Tushar Dalal -- our Group CFO; and of course Adfactors our investor relations. Before we get into the business and financial performance, I would like to share a brief overview of the company and its key developments and our strategic focus areas. Starting with a background about the company it established in 1981 as a joint venture between GIC that is Government of Gujrat and **Chemosyn** and it became public subsequently in 1984. In due course of time GTBL established a strong R&D which enabled it to develop its own expertise in fermentation chemistry. Today GTBL is one of the few fermentation-based manufacturers of pharma intermediates in India with a robust technical know-how and strong capabilities.

Moderator: Ladies and gentlemen, please stay connected while I try to reconnect the management. Ladies and gentlemen, the line of the management has been connected. So kindly proceed.

Dr. Sachin Patel: Apologies for that disturbance. Let me begin with a little bit of an introduction. Today GTBL is one of the few fermentation based manufacturers of pharma intermediates in India with a robust technical know-how and strong capabilities. We have an environmental-friendly and sustainable process using aerobic bacteria for fermentation.

Our product portfolio grew with Rifampicin in 1991 and Lovastatin in 2003. Subsequently, the company started manufacturing Rifamycin as an intermediate.

During the year FY20, we changed our business model from contract manufacturing to own manufacturing and sales model. After fulfilling all the contractual obligations, we were able to make the strategic shift which has led to improved realizations and substantially improved margins. This success is testimony of our superior capabilities and strong processes. With long experience of handling the fermentation process, understanding of intricacies that are involved and understanding the impact of various variables, we believe that the company is now ready to move into the next leg of growth and innovation. In addition to the state-of-the-art manufacturing facility in Vapi, Gujarat, we have expanded our R&D base to focus on new product development.

As mentioned earlier, fermentation-based process for intermediate development has its own challenges. But with our long experience of product development and making it commercially viable, we are confident and optimistic. I hope you must have gone through the presentation where we have mentioned about a roadmap for development and launch of new intermediates. Also, we plan to move up the value chain and forward integrate into manufacturing APIs.

We announced a 200 crores CAPEX spread over the next two to three years in a phased manner. The plan comprises of developing strong R&D capabilities. Furthermore, fermentation capacities are also being expanded. Herein lies one of our key differentiators. The experience and technical know-how to scale up a new product from lab to commercial level. The new products would address different therapeutic areas thereby expanding our product and application as well as customer profile. While currently we are catering to the domestic market, with the new facilities and products we shall be targeting overseas markets as well. Therefore, the new R&D labs and manufacturing facilities will be compliant with various regulatory authorities. Moreover, we are also looking into the possibilities of forward integrating into APIs. On this line we aim to develop an API block as part of the mentioned CAPEX plan. Backed by our strong cash flow position combined with zero debt, we are well positioned to fund this expansion primarily through internal accruals with the option to raise debt if and when required. Going forward, we strive to expand our presence in the value chain and overall

markets. While we leverage our technological expertise in fermentation to develop new products.

Our longstanding association with our customers ensures stable orders.

Now coming to the financial performance, I shall hand it over to Mr. Rajneesh Anand who will take you through it. Thank you very much.

Rajneesh Anand:

Thank you very much Sachin Bhai. Good morning to all of you. We will now turn to the financial performance. This is about the second quarter FY2023. We reported Rs. 47.69 crores in revenue during Q2 FY2023, a 36.08% year-on-year growth was primarily driven by higher volumes. Our EBITDA for the quarter stands at Rs. 24.4 crores, which increased by 32.29% year-on-year. EBITDA margin is 51.17% it is down by 146 bps. Our PAT during this quarter is Rs. 18.7 crores as against Rs. 13.79 crores in the second quarter of the FY2022. Net profit margin stood at 39.21%. Earnings per share for this quarter is at Rs. 12.87 per share. Coming to the half yearly performance, we reported Rs. 92.64 crores in revenue during H1 FY23 a 37.26% year-on-year rise over previous year's first half. Growth was mainly driven by rising volumes. Our EBITDA for the period stands at Rs. 47.18 crores, an increase of 34.15% year-on-year. EBITDA margin is 50.93% a decline of 118 BPS. Our PAT for the six months is Rs. 36.47 crores as against Rs. 26.71 crores in H1 FY22. Net profit margins stood at 39.37%. EPS for the period is Rs. 25.10 as against Rs. 18.39 in H1 2022, an increase of 36.48%. That is all from our side. We can now turn to questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Saloni Hemnani from Molecule Ventures. Please go ahead.

Saloni Hemnani:

Hi, good afternoon sir. Congratulations on a great set of numbers. Sir, I have a couple of questions. First one being the stake that we acquired from PBG. So based on the document, so the promoters already hold majority of stake in PBG consortium so what was the purpose behind acquiring stake from PBG?

Dr. Sachin Patel:

Saloni, I think there's a bit of a confusion there is no stake acquired by the GTBL from PPG.

Saloni Hemnani:

Let me get back to that question. The second question is regarding the CWIP that we observed in the September results. So how much out of the 80 crores that we have planned in the AGM? So how much of that has been already spent in the Phase One CAPEX?

Dr. Sachin Patel:

I will request Rajneesh Anand to answer this question.

Rajneesh Anand:

Yes, yes. The investment is ongoing. We have spent about 22 crores till now which is mostly in CWIP and the projects are ongoing. In the current quarter in the quarter which is going on. We

will be capitalizing our warehouse and put it to use. The rest of the projects will also continue through the next quarter.

Saloni Hemnani: Alright sir. Sir are we sticking to the quarter 3 of FY 2024 timeline for commissioning phase one.

Dr. Sachin Patel: The warehouse parts will be commissioned the R&D center that we were envisaging will initiate in this quarter will be postponed to next quarter.

Saloni Hemnani: Alright and sir, what is the current capacity utilization of the existing capacity?

Rajneesh Anand: I think right now, we have been utilizing almost 95% of the capacity.

Saloni Hemnani: Because, this quarter we mentioned in the PPT as well that the sales growth was primarily driven by higher volumes. So, we are just trying to get a sense on the leeway that we have till the CAPEX is commissioned basically.

Rajneesh Anand: So, till the new CAPEX in the new facilities our capacities come in, the volume growth will be limited from our current manufacturing processes, which are there. Our current manufacturing capacities which are there, but at the same time, we are exploring alternative strategies in terms of how we can bring in volume growth to not necessarily in the next couple of quarters, but after that.

Saloni Hemnani: Alright, sir, let me clarify on the PBG point. I will get back to you. Thank you.

Moderator: Thank you. We have the next question from the line of Keshav from Rak San investors, please go ahead.

Keshav: Hi, good morning management. Currently for the H1 what is the percentage split between Rifa S and Rifa O?

Rajneesh Anand: Sir these kinds of questions we would not like to address here because this is all confidential information of the company.

Keshav: Okay, no issues and for Rifa O, we see a secular growth trend going forward because in the US it is still under patent protection. So, we should be yet to see generic supplies coming in for that height. So the volumes overall should see a reasonable growth for the years to come. Is that correct understanding?

Dr. Sachin Patel: Yeah, so typically, this is what this is what you would envisage but we will have to wait and see for the patent expiries to come in at the same time how the tuberculosis market is behaving as the years go by. So, yes, one would expect that typically in line with what would happen, what happens in a generic space, the volumes go up once the patent expiry is there. That should

happen like for all other products, but how that will impact the overall Rifa demand is, is something that we are still trying to figure out.

Keshav: Sir secondly, I wanted to understand a bit more about our expertise or other companies is a barrier to entry when we talk about fermentation. So I am aware of at least three distinct players who are foraying into this space and two of them are smaller companies than ours and one of them has products in the prospect list that include a couple of antibiotics we had filed for in the EC report. So is it that the barrier to entry are more macroeconomic than the technology or the ability to handle itself like India used to have a decent fermentation base before China took it out with their economies of scale lower cost or utility subsidies that So, could you help sort of understand if we bring something more to the table then these newer entrants might and they would find difficult to adapt to or is it more a macro trend that will support us as well as the newer players?

Dr. Sachin Patel: So, I believe that most definitely the macro trend is positive. So not just us but there is a good possibility that a fair number of fermentation companies who are in the right space at the right time would do well. That is what we believe. With regards to other companies coming in vis-a-vis us, I would only say that in our past experience there is a significant challenge to scale up. So one may do something at a particular level, starting from lab to even pilot, but then to scale it up to commercial scale and be able to be competitive in terms of the market has its fair set of challenges and experiences required in that saying that obviously, we should never consider that other companies will not be able to do it if we are able to do it. So, I think anything more than that would be speculative positively or negatively.

Keshav: Understood sir and sir, so, just a follow up to that. So on the technology itself, if we say foray into a new product, the typical value chain would be in licensing the strain and then developing a process using it right, there would not be any strain engineering, done by us in collaboration with someone is that the correct understanding. So our expertise would lie in scaling up and handling these systems.

Dr. Sachin Patel: That's correct.

Keshav: Sir and lastly, if I may, going forward, would we be equally focused on intermediates as well as APIs? And I mean, so when we start the regulated market supplies, would we have separate manufacturing bases for intermediates and APIs.

Dr. Sachin Patel: So the facilities that we are building up have a lot of flexibility. Product base and at the same time partnership base, we will decide whether we should manufacture the API, or the value addition for us, or the value proposition for us is best and only manufacturing the intermediate not the API. So really, it would have to be a case-to-case scenario that we will have to explore. The important bit is that we should have the flexibility of doing both.

Keshav: Understood sir. Thank you sir. I will come back in the queue.

Moderator: Thank you. We have the next question from the line of Tarun Sancheti from Sanchay, please go ahead.

Tarun Sancheti: Firstly, congratulations on a great set of numbers and consistently reporting very robust profit. Since we really do not get too much opportunity to interact with management, I would like to clarify a follow up question specifically from a business economics perspective. So, the first question I will have is that, as we know historically fermentation industry was under significant pressure from China because of the predatory pricing and policy benefit that they had. On the other hand, what we understand also is that now that cost advantage is going away because of different prices going up, energy prices going up etc. As the panel China, in some other industries, what we have observed is that will continue to do the predatory pricing even if those policy benefits are taken away. Keeping that context in mind, what is the source of confidence that China threat is entirely eliminated and domestic industry will be able to offer without such predatory challenges, which were historically part of multiple industries.

Dr. Sachin Patel: So, I will put it this way that I think, for any of us to be complacent and think that there is no potential threat be it from China or anywhere else in terms of pricing or in terms of competition is a bit too complacent. So, I think we all need to be wary of that particular front and hence our future is basically decided not just on the basis of one particular product, we are spreading what we are doing into multiple projects into multiple products, which are there and with strategies, which we hope will sail us through. So basically, if the price of a particular product suddenly comes down in a from a XYZ competitor, it should not affect us at least in the near future if we have the right kind of contracts in place. So it is a complexity of manufacturing at the same time. On the business side, I think everyone has learned that steady supplies are more important than going too far up and down and going for spot businesses. So we as a company also are minimizing the amount of spot business that we do. Most of the business that we do is through long-term partners and contractual obligations on both sides.

Tarun Sancheti: Thank you. Another question again, to understand more of a competitive landscape for the industry. Lupin has been a significant and a long-standing customer for us and what we also understand is that lately there is a change in the business model wherein we moved away from job work or a conversion work based model to a broad based pricing model. In that context, now that the dynamics has changed, what options Lupin would have if for any reason, we are not able to supply that and to clipping around what all options we would have in case Lupin looks for another source. I am trying to understand the overall supply chain dynamics on this particular thing.

Dr. Sachin Patel: I think on both sides, there are there are no immediate solutions and that is why relationships are what they are. I would say that we would not have too many options. I would believe that they would not have too many options. Otherwise, I am not specifying any particular company,

but companies that we have contracts with would not sit on a table and have a contract in place, right.

Tarun Sancheti: So fair to conclude that, it becomes kind of a mutual relationship and without much of competition coming in the foreseeable future, is that correct sense here?

Dr. Sachin Patel: I think the first point is I would say a sign of a good agreements that it should be mutually beneficial and if it is mutually beneficial then the second part hopefully is taken care of, if everyone is sensible.

Tarun Sancheti: Okay, that helps. Another question would be that during the last call management has mentioned about adding a couple of customers based on current visibility, what we understand is that Lupin **others**, are the two three customers contributing significantly to the overall revenue. Now, when the fact that we are operating at close to 80% of our capacity utilization, how are we looking at adding more customers and in case a couple of other customers come onboard in the near and immediate future how we are going to solve that considering that we are already operating at 80% of the capacity utilization.

Dr. Sachin Patel: As Rajneesh Anand pointed out to a question previously, we are operating at 95% capacity and not 80% capacity and also we have developed three other customers but they are in very small volume. So, that is where things will lie. If we see more demand come up in the future, we will have to plan for it, but at the moment very honestly speaking, we are not able to speculate what if there is going to be an increase in demand when the patents of Rifaximin go off, and how the tuberculosis market will behave? So these are these are still things that we are working on, basically to see that two years down the line whether there is going to be an increase in the Rifa S or Rifa O demand for us.

Tarun Sancheti: And the three customers that you alerted about those are customers for Rifa S.

Dr. Sachin Patel: Right. Yes, they are customers for Rifa S.

Tarun Sancheti: Okay so sir last bit of the question I will have and I can join back in the queue again. Based on some of the regulatory filing, we understand that some of the products are being transferred to Themis Medicare, which is a group company, for example, Lovastatin and also within Themis Medicare, we are building up capacity for Rifa S. So the question is that why is it that we are not looking at augmenting the capacity within Gujarat Themis instead of looking at Themis Medicare?

Dr. Sachin Patel: I think on the first count, it's not correct that from GTBL, lovastatin has transferred to Themis Medicare that is not actually accurate. In fact, historically speaking, lovastatin was transferred from Themis Medicare to GTBL and it still remains in GTBL, although we are not producing the same for economic reasons and with regards to Themis Medicare manufacturing Rifa S, that is

also not the case. Themis Medicare is not manufacturing Rifa S. GTBL continues to manufacture the Rifa S. Themis has its own plans in terms of what it is doing.

Tarun Sancheti: Okay, thank you for taking my question. I will join back in the queue. One last question I will have is that in some circles there are some sort of information spread around change in the stakeholder pattern for the finance entity, which is your pharmaceutical business group. I think it would be fair and transparent for everyone to understand our position on that.

Dr. Sachin Patel: Could you repeat the question please?

Tarun Sancheti: Yeah, so, my question is that, you know, there is some sort of communication or information out there in the investor community about change in the structure for pharmaceutical business group. So, in that context, you know, to subside any kind of rumor in the market a statement from the management is going to be very-very helpful in case if there is on those things.

Dr. Sachin Patel: So, since, since we have not heard about this, and there is no fact to it, I do not know what we can clarify apart from the fact that PBG owns 51% of GTBL shares than the promoters of PBG are essentially, the promoters that we have been for a very long time.

Tarun Sancheti: I think that in itself, clarify a couple of things on that. Thank you again.

Moderator: Thank you, Ladies and gentleman in order to ensure that the management will be able to answer questions from all participants, please limit your questions to two to three per participant should have a follow up question please rejoin the queue. We have the next question from the line of Nisarg Shah from Igloo Enterprise, please go ahead.

Nisarg Shah: Sir congratulations on a great set of numbers for H1, my question is regarding the capacities. So, one of our peer is coming up who has already filed for DRHP and seeking almost double valuations than what we trade at. So, they were able to generate close to 450 to 500 crore revenue consistently when they had back in the days until 2020 capacity of 450 cubic metre close to our capacity, but we will be as I understand on optimal utilization we can generate close to 200 crores. So, sir, what is the difference in this asset turns? So, does it depend on like product to product or can you please throw some more light on that?

Dr. Sachin Patel: Absolutely. But I would like you to repeat the beginning part of the question because I could not get that very clearly. One of the competitors is.

Nisarg Shah: One of our competitors, who has already filed for DRHP and they are seeking

Dr. Sachin Patel: Understood. I got it. Yeah. So, I think at the end of the day, the fermenters are fermenters, it depends upon what you produce in it right. Now, currently, what we are doing is we are producing up to the intermediate we are not manufacturing the API, if we were manufacturing the API, our sales turnover would be higher, if we will be manufacturing the finished dosage

form that our sales turnover would be even higher. Currently, what we have done is we have seen where the maximum value for us is in the entire supply chain. Not to say that, it does not make sense to go ahead but looking at the product that we are in, we feel that this is where we are deriving the maximum value from the entire supply chain. I think for that particular reason perhaps our EBITDA margins are perhaps higher than the other companies also if you look at percentage wise, but if you consider what is the best way to utilize capacity and for whatever, 450 cubic meters that you have, I think, in a way that depends upon the product that you pick. Now we have picked this particular one, the capacity has been designed, the facility has been designed to manufacture this particular product. So if they wanted to come in and they wanted to produce this product, it would not be so easy for them to do it in the same competitive way or same kind of margins that we do it with and if we wanted to do what they do, we would not be able to do the same for multiple reasons. So I think it is just the place that we all are in and obviously going ahead, they would plan many other things like we would in terms of how to get the maximum profitability and returns in terms of investments that we are making.

Nisarg Shah: Sure sir that was quite helpful and one more thing I wanted to know, are there any plans on getting listed on NSE? Because given that we are now almost close to more than 1300 crore market cap company, there is barely any liquidity because we are only listed in BSE.

Dr. Sachin Patel: So I think there is we have to fulfill one criteria of NSE which, because of historical reasons we were not being able to fulfill and that is that the net worth of the company has to be over 100 crores for 3 consecutive years. I think our third year gets over next year, after which we should be most definitely listing on NSE.

Nisarg Shah: Sure sir, that was quite helpful sir. All the best.

Moderator: Thank you. We have the next question from the line of the Darshit Shah from Nirvana Capital, please go ahead.

Darshit Shah: Yeah, so thank you for the opportunity. Sir can you please tell us since you have ended up tie up with Yuhan Corporation, and then we have seen a jump in revenue and obviously our margin. So was that earlier, we used to only kind of recognize the profit share of the contract manufacturing in our revenues and henceforth when we start to sell it on our own. That is a reason for a bump up in revenue as well as in margin.

Dr. Sachin Patel: So is your question related to why we shifted from contract manufacturing to sale purchase or is it related to Yuhan. I am a bit confused. If you can clarify for me please.

Darshit Shah: So why we kind of shifted and earlier were we kind of recognizing in a revenues only the profit part of what we used to do in contract manufacturing and hence, now, we have changed the

business model itself and thus, we are seeing a bump up in revenues as well as profitability, on both the points you can clarify?

Dr. Sachin Patel: So previously, when we were working on contract manufacturing, it was a Cost-Plus model. So whatever our costs were, on top of that, there was a fixed margin per kilo on the basis of which we were transferring the goods and that was our contract previously, and subsequently, we decided that we wanted to move from that to a sale purchase model which increased the risks for us, but also increased the rewards on the basis of which we moved into a sale purchase. So, that was one part of it. The second question was with regards to Yuhan, Yuhan was not so, when they when this particular cooperation started, Yuhan had a lot of interest in fermentation specifically Rifampicin and many others too, but with time they exited the fermentation business. So then being a partner that particular time was while it was interesting, subsequently, it was not of interest for them nor for us to continue that relationship going ahead and hence the exit took place.

Darshit Shah: Got it and sir my second question is on your CAPEX of 200 crore which we are doing. So, two questions on that, when is the kind of capacity going to come up for commercial on this CAPEX and secondly, if you could highlight a little bit more on what kind of products are we looking at in to manufacturing the newer capacity and are the kind of import substitute or how is the competitive intensity of those products, which we are envisaging to make in the newer plant.

Dr. Sachin Patel: So, as we have said the CAPEX plan is spread over two to three years, our period started from the beginning of this particular financial year, when we made this particular statement. In terms of capacity increase, the first capacities that will increase which will be in the next financial year will be of the API block. The API block will be up and running going ahead and subsequently in the following year or by the end of the year, the fermentation block will also take place but in terms of how soon we can start using these particular capacities will depend upon regulatory approvals too so I would say that by the end of next year, we will start using the API facility and the year after we will start using the fermentation facility.

Darshit Shah: and sir If you could throw some more light on the products and the competitive intensity of those products, which we are envisaging to make in the newer plants.

Dr. Sachin Patel: So that is something that we have actually not put out in the public domain for reasons of confidentiality. Obviously, the product selection is made in a way whereby we do not really want to look at products where there is too much competition if any, because having a crowded market place essentially means lower margins, which is not our endeavor. So, we are very careful, we may have a dozen products in development, but we are very careful with what we take commercial because sacrosanct is to make sure that the profitability remains in a good shape.

Moderator: Thank you. We have the next question from the line of Jainam Gillani from Moneybee investments please go ahead

Jainam Gillani: Hi sir, congratulations for the great set of numbers. Sir I just wanted to know how are you planning to fund the CAPEX of 200 crores what will be the debt-to-equity mix?

Dr. Sachin Patel: So, as we have put out in various calls, we are expecting most of the CAPEX to be funded by internal accruals and if it is then required we always have the option of debt. Touchwood at the moment we do not have any debt on our balance sheet and we have a reasonably good cash surplus.

Jainam Gillani: Thank you sir, and so, what could be the revenue that can be expected from this CAPEX? Like what can be the asset turn we can expect from the 200 crore CAPEX.

Dr. Sachin Patel: So, the projects that we are looking at I would rather than talk in terms of revenue, I will say that the payback period that we are calculating is three to four years.

Jainam Gillani: Okay and sir what can be our sustainable margins if we can say for the next two to three years? Can we maintain these margins or?

Dr. Sachin Patel: I wish I could, I could tell you that we can maintain the margins or even grow them. But you know, that would be an indirect way of you asking me what is the pricing going to be tomorrow or day after. So, that will be a bit of a speculation from all our end and so we hope that the margins will remain at the level they are but it would be impossible to say that it will definitely remain the way they are tomorrow. But we all hope for the best and work towards the best.

Jainam Gillani: Thank you sir.

Moderator: Thank you. We have the next question from the line of Keshav Garg from Counter Cyclical. PMS. Please go ahead.

Keshav Garg: Sir, thank you for providing this opportunity. So I wanted to understand that since we are already at 95%. So can we go above 100% through some debottlenecking over the next few quarters, or 100% is the maximum that we can go to?

Dr. Sachin Patel: I think it is a good question. While we are working and we are trying to put all our efforts in terms of what is the maximum that is possible. I cannot tell you right now, if we have something concrete on the table, but like all manufacturing activities, all manufacturing processes, you continuously try and get to better and better. But I do not have anything positive to say at this particular time that we have cracked something that will enable us to increase its capacity.

Keshav Garg: Sir and since in case we are unable to go beyond 100%, which normally is not possible. So in that case for the next approximately eight quarters sir since the growth and volume will be

limited. So sir cannot we increase our pricing since we have limited capacity? So, I mean, is it possible that we can increase our pricing and thereby increase revenues? It's a win win.

Dr. Sachin Patel: I do not envisage price increases at this particular stage. As I said, during one of the previous questions that was asked as we are on both sides are bound by contractual obligations, which we intend to very much stick to. But over the next eight quarters, we are working on a strategy in terms of how we can grow even though fermentation capacity will take longer in terms of coming into effect. Let's not forget our API capacity comes into effect next year. So that is something that should definitely increase our top line and hopefully bottom line too and at the same time, we are working on multiple strategies in terms of what more we can do, considering the fact that we will have significant API capacity which is going to be commissioned.

Keshav Garg: Okay sir. Thank you very much.

Moderator: Thank you. We have a follow up question from the line of Saloni Hemnani from Molecule Ventures. Please go ahead.

Saloni Hemnani: Hi sir just one question on my side. So sir Themis Medicare acquired stake of GTBL from PBG 6.47%. So I just want to check the promoters currently in the majority of stake in PBG. I just wanted to understand the rationale behind the promoter companies selling stake to a listed Themis Medicare. So can you just shed some light on that.

Dr. Sachin Patel: One particular thing is now actually you are right, but again, this is something which has changed. So from a GTBLs perspective, it has got nothing to do with GTBL as you can imagine, right. It is not a GTBL operational question, but we are more than welcome to come to the Themis Medicare earnings call and ask the same but nevertheless, since it is in the public domain it is very simple that this particular matter was then subsequently withdrawn and that Themis Medicare is not acquiring the shares of PBG, from PGB, not of PGB from PGB.

Saloni Hemnani: Got it sir. Thank you.

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

Aman Vij: Yes sir, my question is on this API facility. So, is this the forward integration of the current two products or for new products altogether.

Dr. Sachin Patel: So, it is a multi purpose block that we are building, as you can imagine, there are quite a few API's, which are there in the market, where fermentation intermediates are required. So, the idea is while we build up our fermentation capacities and capabilities, for all these intermediates, we can most definitely start by producing these API's from sourced intermediates to begin. So that allows us faster entry into the market and that is what we plan

to do and since it's a multi-purpose block, it gives us a lot of flexibility in terms of what and how we want to use this facility to get more sales and more profits obviously

Aman Vij: Sure sir and the timeline you mentioned is Q3 FY2024 of this API block,

Dr. Sachin Patel: What I will do is I will ask Mr. Rajneesh Anand to clarify this particular bit of question.

Rajneesh Anand: Sir can you please repeat your question.

Aman Vij: Sir when will this facility come online? Is it Q3 FY2024 or Q2 FY2024 for this API block.

Rajneesh Anand: I think end of Q2 FY2024.

Aman Vij: Sure sir and given this is a API facility and a multipurpose plant, how long do you think it will take to fully utilize it? Is it like two quarters or it will take time and also the margins because it is not the intermediates and you mentioned earlier in the call that the margins in intermediates are much better. So is it safe to assume that margin maybe like 10 to 20% lower compared to our current margins.

Dr. Sachin Patel: Yeah, the margins one cannot expect the margins to be in line with what we are doing in fermentation. So the objective is that we get faster market entry for some of the products that we are working on in terms of fermentation, that is one and the second, which is your question was, How soon do we expect capacity utilization? Very difficult to be able to answer that particular question because this is it is like a new company starting and it is a step by step process in terms of how capacity will be built up, but what one can envisage is that for quarter-on-quarter, there should be increase in sales and profit coming from that capacity that we are creating.

Aman Vij: Sure sir and my final question is on the new products and new customers. So, you mentioned that the three new customers we have built are currently having lower volume since most of the volumes are occupied by the top two customers. So, will these three players, the volume will go up once the API facility comes in or only when the fermentation block which will take maybe much more time will come in? That is one part and the second part is in terms of newer customers. Are we are we planning to add in the next two-three quarters and new products also, you have mentioned, you are not mentioning the name, obviously, because of confidentiality. But in new products most of these three to four products you had mentioned will come in the API part or the fermentation part. These are the two three questions I had.

Dr. Sachin Patel: Let's take the questions one by one, I think there are three questions that I heard over there. One is we have got new customers come in and how much quantity we'll supply to the five customers now will depend upon how the contracts have been negotiated in the years to come. So, this gives us enough flexibility in terms of how we would like to operate and what gives us

the best contract on the table, which company is the best contract on the table. So, that is the reason why we have gone out and we have done this; in terms of preference over one company to another, there is there is none. With regards to the products that are going to come out obviously, in the beginning the products which are going to come out are from the API block because that is where API block that is the facility that is commissioned before anything else. In case of fermentation, a lot of products we expect will be filed from the CGMP pilot, so that we have plans and will be commissioned in due course of time. So, that is where the fermentation filing will take place and then subsequently commercials will happen once the entire CAPEX is put into place.

Aman Vij: Sir just one clarification, the three new customers are they big enough or are there demand? Do they have volume requirements enough in case we want to shift the major portion from the current to top customer? Is there a requirement enough among the other three players or are they much smaller players?

Dr. Sachin Patel: I think that we have good partners currently. So, I do not think it is going to be our endeavor to replace them. But at the same time, we would like to have certain amounts of supplies going on over there as generally one would in a business, right? You want to make sure that you have spread your quantities across customers. So that is that we are doing.

Aman Vij: Sure sir that helps.

Moderator: Thank you. We have a next follow up question from the line Keshav from Rak San investors, please go ahead.

Keshav: Sir the volume growth is seen in H1. Could you please give some qualitative insight if it was more driven by the Rifaximin intermediate because Rifaximin is still going well and Rifampicin is a fairly mature product and we are also seeing Rifampicin resistant for pulmonary tuberculosis cases rising so if you could just give some directional view of things If the growth we are seeing is driven majorly by Rifaximin would be great to sort of allay any fears.

Dr. Sachin Patel: So I think so Rifaximin is definitely doing well, but I think Rifa is also doing well. But there is, if you look at our last year even perhaps the year before, there have been a little bit of variations in from one quarter to another quarter because tuberculosis is a tenders business, so if the tenders do not open on time, then the demand will not be there, but at the end of the day, the number of patients across the world remain where they are. So, the demand is going to come up, whether it is in this quarter or next quarter. So, I think very difficult to right now say that it is only because of Rifampicin that the demand. Rifa S is the demand is going up or Rifa O demand is going up. But we are seeing a reasonably. We saw reasonably good trend over the last two quarters in terms of demand of both the products

Keshav: And sir for the second half of the year, are we seeing a similar uptake as of now or is the volume growth more of a short cyclical stocking as you mentioned? Are we seeing some moderation on that part? Are we seeing good growth as of now as well.

Dr. Sachin Patel: I think when we had the last call also we said that one thing that we will not do is speculate in terms of how the next two quarters look. So, we are very happy to talk about what happened the last two quarters and give you broad perspectives and plans of what we are planning strategically going ahead without discussing about what numbers or what quantities we are going to sell in this current quarter or the quarter after. I hope you will understand.

Keshav: Yeah, absolutely. Just one clarity. So on the Rifampicin we are exposed to some tender related cyclical highs and lows, but Rifaximin is a fairly stable business is that the correct understanding?

Dr. Sachin Patel: See Rifaximin is a fairly stable business, but when we sell Rifa O to our customer who converts it into Rifaximin and sells it to other parts of the world, there is a lot of turmoil that is happening across the world right in terms of currencies, in terms of dollar to the local currency. So sometimes the demand may be there, but because of reasons of debtors, etc, you may have a variation in terms of quantity supply from one quarter to another quarter. So I think it is not possible to say for sure that is going to be this way or that way, but I think at the end of the day, the demand is there, which means everything evens out.

Keshav: Sure sir. That is all from my side. Thank you.

Moderator: Thank you. We have the next question from the line of Sachin Shetty, an individual investor please go ahead.

Sachin Shetty: Sir congratulations for a good set of numbers. Sir my question for this fermentation plant and API plant. So what I understood from last earnings call, so our this project, I think it will come on online till next year, FY'24 quarter two. So how much project cost is for the API plant and for fermentation plant. This is a one question and second question is once it comes online, so what are the regulatory approvals are required for the fermentation and API plants and what are our market ROW or we are going to ESW.

Moderator: May I request if Mr. Rajneesh Anand can answer. The line of the management has been disconnected sir. I am trying to connect them. Give me a moment.

Rajneesh Anand: Okay. So, these products will have markets everywhere, they will the products we try to pick up we essentially ensure that they should also have a good domestic market and of course, they have potential for ROW and regulated markets too. So the idea is that once the plant gets started, you are able to do some business while you do all the regulatory, validations and filings

and everything. So, that is it. On the cost part we expect the API plant to cost us about 40 crores.

Sachin Shetty: Okay, and fermentation?

Rajneesh Anand: Fermentation will have a phased investment and therefore, it will be like we actually plan to do about three plants together, but in a phased manner. So, that will be over like two to three years as we have told earlier.

Sachin Shetty: So, how much CAPEX we have done for this whatever fermentation plants till date.

Rajneesh Anand: Fermentation plant, we have not done any CAPEX so far, but, project is under planning and we actually plan to start digging the soil by next month by December

Sachin Shetty: Okay. So, three blocks will be consisting only for the fermentation plant right.

Rajneesh Anand: Yes, but we will construct them over phased manner.

Sachin Shetty: Understood in phase manner and 40 crores for the API plant and market we have identified API plant is ROW and emerging market. We are not going for US FDA right.

Rajneesh Anand: No, we will also go for US FDA.

Sachin Shetty: Okay understood.

Rajneesh Anand: That is going to be completely GMP facility.

Sachin Shetty: Okay sir understood.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference over to Dr. Sachin Patel from Gujarat Themis Biosyn Limited for closing comments. Over to you sir.

Dr. Sachin Patel: Thank you. Thank you very much. So finally, I would like to thank the entire team of GTBL for their untiring efforts and hard work and dedication. This is what drives the company forward through various market conditions that are there around us and also I very much appreciate all of you for participating in our conference call. Needless to say, please do get in touch with our Investor Relations teams for any other questions that that you may have. With that, thanks very much.

Moderator: Ladies and gentlemen, on behalf of Gujarat Themis Biosyn Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.