GUJARAT THEMIS BIOSYN LIMITED

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GTBL: CS: BSE-CORR/2022-2023 **9th February, 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 6th February, 2023.

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 31st January, 2023, intimating you about the earning conference call for Q3 & 9M FY23 with Analysts/Investors held on 6th February, 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 www.gtbl.in

Kindly take the same on record.

Thanking you,

Yours Faithfully,

For Gujarat Themis Biosyn Limited

RAHUL DWARAKA SONI Digitally signed by RAHUL DWARAKA SONI Date: 2023.02.09 17:29:25 +05'30'

Rahul Soni
Company Secretary and Compliance Officer

"Gujarat Themis Biosyn Limited

Q3 FY '23 Earnings Conference Call"

February 06, 2023

MANAGEMENT: **DR. SACHIN PATEL – DIRECTOR – GUJARAT THEMIS BIOSYN LIMITED**
MR. RAJNEESH ANAND –CONSULTANT-GUJARAT THEMIS BIOSYN LIMITED
ADFACTORS – INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Gujarat Themis Biosyn Limited Q3 FY '23 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 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 star then zero 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. Thank you and over to you, sir.

Sachin Patel: Thanks very much. Good evening, everyone. I would like to wish you all a very warm welcome to GTBL's earnings call for the third-quarter and nine months ended December 31, 2022. I would like to begin by expressing my gratitude to all of you for taking the time to join us today. We have on call with us Mr. Rajneesh Anand from GTBL and Adfactors our Investor Relations team. Before we get into the business and financial performance, I would like to briefly share the company's key recent developments and our strategic focus areas.

I would like to begin by directly stating recent development and its impact on sales volume for Q3 at GTBL. Our production volume during this quarter have been at similar levels to previous quarters but the sales volume remained subdued. You are already aware that GTBL, is a two product company producing Rifamycin-O and Rifamycin-S. The demand for Rifamycin-O continues to be strong in the market and we witnessed a sufficient uptick of this product. However, Rifa-S uptick remained on lower side during the quarter.

As you know, Rifa-S is an intermediate for anti-tuberculosis medicines. This is largely a tender-driven segment. Delays in government and global tenders have reflected in lower sales volume for the quarter. However, we expect the tenders to open over the next two quarters, which should result in significant increase in volumes. Hence, we have continued the production of Rifa-S to build inventory for this upcoming demand. Unlike the last two years, this year we have not undertaken a plant shutdown, so that we can continue to build inventory for the anticipated demand.

I'm happy to share that despite the challenges stated earlier, we have already surpassed our previous financial year's revenue and profit levels within the nine months of this fiscal year. The recently announced capex plan of INR 200 crores spanning over the next two to three years is well on track. We have done about INR 14 crores of capex so far, and another INR 13 crores is in CWIP.

Our new API block is likely to start operations by June-July '23. The R&D facility is also likely to commence operations by the same time. As stated in earlier calls these new facilities will be compliant with global international regulatory norms hence, we should be targeting export markets in addition to the domestic market that we already cater.

Now, turning to our financial performance, I hand it over to Mr. Rajneesh Anand, who will take us through the same. Thank you.

Moderator: Mr. Anand, we are not able to hear you, sir. Please unmute your audio from your side.

Rajneesh Anand: Sorry. Thank you, Sachin bhai. For the third quarter of financial year 2023, we reported INR 28.2 crores in revenue during the third quarter of the financial year 2023 a 51.4% rise, growth driven by higher volumes compared to the previous corresponding quarter. Our earnings before the interest, tax, depreciation and amortization for the quarter -- at INR 12.1 crores, 23.6% increase year-on year. EBITDA margin is 43% down by 966 bps. R&D expenditure of about INR 2.44 crores had a bearing on our profit margins. Our PAT during this quarter is INR 9.8 crores as against INR 7.1 crores in third quarter of financial year 2022. Net profit margins stood at 34.8%. Earnings per share for this quarter is at INR 6.75. Now, coming to our nine months performance; we reported INR 120.8 crores in revenue during nine months of financial year 2023, a 40.3% year-on-year rise growth was mainly driven by rise in volumes.

Our EBITDA for the period stands at INR 59.3 crores, increasing 31.9% year-on year, while EBITDA margin is 49.1%. Our PAT for these nine months is INR 46.3 crores growing 36.7% year-on-year as against INR 43.8 crores in nine months of financial year 2022. Net profit margin stood at 38.3%. Earnings per share for this period is INR 31.85. In November'22, the Board of Directors declared an interim dividend for the financial year '22-'23 of INR 4.4 per equity share of face value of INR 5, subject to shareholders' approval.

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

Moderator: Thank you very much. The first question is from the line of Saloni Hemnani from Molecule Ventures PMS. Please go ahead.

Saloni Hemnani: Yes hi, sir. My first question is regarding book capacity utilization, so what was it like this quarter?

Sachin Patel: So in terms of production, capacity utilization is really related to production, right, so our production levels have been pretty much identical the last couple of quarters. So there has been no reduction in what we have produced and we plan to continue the trend. The sales have obviously being down for the reasons that I explained during the introduction. Essentially, that Rifa-S sales were significantly lower because the tuberculosis standard is not just in India but globally have been delayed and that is the major reason why the offtake of Rifa-S has not been in line with the production for the previous quarters.

Saloni Hemnani: But we are expecting in the next two quarters, the tuberculosis market will stabilize itself.

Sachin Patel: What we are looking at is the following, data points that there is no indication to state that there has been a significant reduction in this particular disease globally. And considering that, and what is in the pipeline with regards to the tenders, it is natural for us to expect that the same requirements will open up in the near future.

Saloni Hemnani: Alright. Sir my next question is regarding the capex that we've been talking about. So, last quarter, it was mentioned that we had already spent INR 22 crores in CWIP and this quarter as discussing in your -- you mentioned INR 14 crores is spent and INR 13 crores is in CWIP. So additional would be INR 4 crores has been spent in the last three months.

Sachin Patel: In terms of CWIP, yes.

Saloni Hemnani: Okay, so I was asking this because we had a timeline of July when we start the trials. We were expecting, basically the trials to happen, but still waiting.

Sachin Patel: We are still sticking to the timeline. We are anticipating that our API block will be up and running by June-July, and also our R&D labs will be up and running in June-July. In terms of our R&D labs we have two sections; one section will start running in June-July. And the other section will probably be about November, but that should not impact us from our timelines in terms of development, and whatever else that we plan to do.

Saloni Hemnani: So you were mentioning the amount for API block to be INR 40 crores out of INR 80 crores in the previous calls. So are we expecting INR 40 crores to be spent till the trials or the entire INR 80 crores of Phase 1 will be spent?

Sachin Patel: I would request Mr. Rajneesh Anand to comment on this please.

Rajneesh Anand: Yes so we will be spending all the INR 40 crores by July. So right now, a lot of money has gone out as advances to various capital equipment suppliers. So that would not reflect as CWIP right now, but as time passes the deliveries will begin, and then we will have. Strong fund flow out.

Saloni Hemnani: Okay. Just last question, sir, on the acceptance of our products to the new customers that we have recently onboarded, so has there been any addition or any recent development with the new customers where we were just trying to set up new bases?

Sachin Patel: There has been progress. Unfortunately a lot of it is stood still because of these tenders getting delayed. The tenders are out, but the finalization of it has been delayed, so I think once the same is done there'll be a lot more clarity in terms of who require how much quantity, because that is what we are really now looking at..

Moderator: Ms. Hemnani, does that answer your questions?

Saloni Hemnani: Yes, That does.

Moderator: Thank you. The next question is from the line of Gunit Singh from CCIPL. Please go ahead.

Gunit Singh: Hi, thank you for this opportunity. So if we looked at the revenue numbers for this quarter, coming in at INR 28 crores, if you look at the December 2019 quarter, which is three years the third quarter of FY'20 back then our revenues for the quarter were INR 31 crores but after three years our revenue are standing at INR 28 crores. And if we look at quarter-on-quarter also our revenue have almost fallen down to half. And also if we look at the margins right now we're at 42% margins versus around 52% in the last quarter and around 50% in the same for the three years back. So can you just elaborate why do we see such numbers?

Sachin Patel: Sorry, I'm not following the question. Can you repeat that please?

Gunit Singh: Yes, so what I'm saying is that in Q3, FY'20 the third quarter our revenue numbers were at INR 30 crores. However, despite three years passing by we do not see any growth in the revenue numbers. They are coming in at INR 28 crores for this quarter. And also looking at the margin profile, the margins over the last three years, if we compare the quarter three they've gone down from around 50% to 43%. And also looking at quarter-on-quarter last quarter the revenues have almost dropped to half. And even the margins have dropped from around 51% to 43%. So I mean, what is driving this? So there is actually no growth if you look at the quarter three of FY '20 and compare it with the current quarter so I mean.

Sachin Patel: So yes. I got it. I think there are a couple of points that I would like to highlight over here. You are -- so as I mentioned in the introduction there is one product that we produce, which is almost 50% of the business, which is really a tender-driven market, so there will be fluctuations from quarter-to-quarter in terms of the numbers that you'll see. Now I think that the right parameter or yardstick to see would be either annual numbers are in this particular case, nine month numbers. So if we look at the nine month numbers, which are there that we have achieved this year vis-a-vis last year or even the year before, I think there is a reasonable growth both in terms of the topline and the bottom line.

And with regards to increase in costs or perhaps a decrease in percentage margins, vis-a-vis the sales turnover is concerned, there are matters that we need to consider be it increased utility costs, increase in other fixed costs and at the same time our endeavours to develop products for the future and hence the R&D costs. So both these things combine together in terms of percentage has indeed increased our expenses, but I think if you compare more than a quarter over the last three years you would find that there has been increase in the in the sales revenues, and at the same time the bottom line.

Gunit Singh: So I'm actually new to the company. So are we looking to diversify to other products, per se, because if we were to move away from such fluctuations or if you were to rely on such tenders the numbers might vary, I mean quarter-on-quarter like we discussed. But are planning to diversify to any new products to ensure that we have to see a clear visibility or maybe I mean a clear revenue coming in quarter-on-quarter? Are we looking to do that? And also another question that I have is that we said that our production has been same while the sales have declined, so I mean, do we have visibility of state tenders or orders going forward that will make up for the lost quarter? And what kind of growth are we looking at for the next financial year?

Sachin Patel: So again, I'd like to start with the fact that I think we have a pretty good product that we are producing right now. So I wouldn't say that we have any intention of moving away from this product and that is clear from the kind of margins that we have at this particular moment. So I don't think there are too many products which would have this kind of EBITDA margins and PAT. So even though there would be a fluctuation from quarter-to-quarter I think as a business, it's a pretty solid and pretty good business to be in.

That said, that doesn't mean that we are only going to produce this and only going to develop this product. So we have, in fact, in previous calls and at the same time in Analyst Meets clearly stated that we are working on our capex plan at the moment of about INR 200 crores, including a CGMP R&D center and also an API facility. And of course, increase our fermentation capacity that we have currently from 450 cubic meters by another 550 cubic meters. So we are in the process of developing and adding to our current product basket that is there in terms of in terms of APIs. Sorry these were the two questions. Was there another one besides this?

Gunit Singh: So we are maintaining our production levels despite the sales going down, so do we like have visibility of making up for the lost number this quarter and what kind of growth should we looking at the yearly numbers, we see that the company has been growing quite significantly so by INR 91 crores in FY '21 year at around INR 150 crores for the trailing 12 months. So I mean, what kind of growth numbers can we expect for the next financial year, financial year '24.

Sachin Patel: So the company is into the business of producing fermentation-based products. So typically a fermentation manufacturing site is, although it's the batch-wise production is almost practically continuous because you can't run it on half capacity per se. So and looking at the data points that we have right now in front of us we continue to produce. We are not stopping our production because we anticipate that as the tuberculosis tenders open up, the demand is going to be there, quite a significant demand is going to be there, that is the first part.

The second -- so whether this will happen in the current quarter or the quarter after it's something which we will not speculate, but it should happen in the near future. And the fact that we are not stopping production is an indicator that we believe this is very realistic. And coming to growth in terms of how it is going to go about in the future without speculating in terms of what the numbers are going to come in, I can only state that for the last two years we've been running our capacity on 75%, which we are not doing. Right now our plan for this particular year is to run the production capacity at 100%.

Moderator: The next question is from the line of Keshav from RakSan Investors.

Keshav Kumar: Hi, good evening, sir. Sir so one of our peers in this fermentation cum chemical synthesis space has been struggling to scale and meet their cost for the APIs they manufacture and they have a pretty reputed parentage. So I would like to have your two cents on whether fermentation API space with mature molecules sort of could be a riskier bet from price erosion point-of-view compared to intermediates or should it not be looked at this way and it's rather on a case-to-case basis?

Sachin Patel: I would honestly say that it's a case-to-case basis because if we feel that we can produce anything in fermentation just because we do fermentation I think it could be at tall task. It would be incorrect for us to state that we can produce everything under the earth. So I think for that particular reason even in our portfolio we are working on half a dozen, if not more now because not all of them will find the markets because it is a technically challenging place to be in. I think there is a fair bit of experience, which is required at the same time there is a fair bit of risk for failure too. So I wouldn't put it down on a particular company or X, Y, Z. I think it has its challenges which one has to take time and effort.

Keshav Kumar: Understood, sir. And sir, secondly sort of building on that so currently bulk of our costs are power and fuel basically the energy cost to run our fermenters. So I guess, in fermentation, taking the overheads constant your yield would be the single most important variable to have good gross margins. And currently, our margins are phenomenal for the current products. So when we are convinced to take a product from bench to pilot, are we building on such high I mean appreciably higher gross margins, which we currently enjoy? Is that the approach?

Sachin Patel: Yes, we have to. We have to look at gross margins very carefully. The reason is that for instance, the facility that we are producing right now from is essentially depreciated, right, it's an old facility. But now we are talking about creating new facilities and depreciation has become quite a significant part of this cost. So we need to be very, very careful in terms of the products that we select, so as to make sure that we have healthy bottom-lines which are much required to sustain this kind of business.

Keshav Kumar: So sir is the domestic raw material availability one of the factors like, for instance, certain fermentation molecules are use vegetable waste oil as raw material, which does not cost much. And the price is not very volatile as well. So is that one of the factors that we'd sort of choose to build on our products?

Sachin Patel: So at this particular time, so I think from country-to-country, one must look at materials which are locally available in order to do fermentation. But I think at this time, we don't see raw material prices as a major challenge. It's not something that is of a major concern as we see it right now.

Keshav Kumar: Sure and sir, lastly, so of the two products at least for Rifa-S we historically had a single customer arrangement and we went from toll to market pricing, but we haven't had -- so basically, we haven't had the demand-side risk per because offtake was there. So for the newer molecules, we plan to make. Is there a pull factor also coming in from the clients we are in touch with that they require certain products so we could utilize the capacities quicker than seeding the market and growing from there?

Sachin Patel: As with investors we have really not disclosed the molecules that we are working on and what we intend to take to the market. I think at the right time, we will do so. I think we have selected products, whereby we don't foresee a major challenge in terms of commercializing them.

Moderator: The next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Sir, can you talk about when do we expect to complete the capex for the six new molecules that we plan to manufacture that are in the R&D stage? And when do you expect the commercialization of at least one molecule?

Sachin Patel: So our capex plans are divided into three. One is the R&D. The second is our API block and the third is our fermentation block. As I mentioned in the introduction the R&D capex and the API block should come through like June-July of this year. Six to nine months after that we should be able to commercialize some products from our API block. And the fermentation blocks the additional capacity that we're putting in will come through by June-July of next financial year. We're talking about '24, so from then we start trial batches in production of the additional fermentation products which are there.

Ankit Gupta: And sir I know you will not talk about the molecules that we've been manufacturing. But can you broadly talk about the market size that we'll be targeting because in the existing two molecules we are a big player in the global markets. So, but how big will be the opportunity for some of the molecules that we plan to manufacture, let's say in when we complete the R&D and start manufacturing them?

Sachin Patel: So from the API block the R&D for producing the same has already completed. So we shouldn't be spending too much time on the R&D, we should be spending more time on taking the trial batches and the exhibit batches which are required over here. I believe that one, at least one product would have a significant potential in the very near future because it is something that is expected to change the current therapy, and we'll be one of the first few of the companies to launch this particular product in India and elsewhere too. So we are counting on that.

Ankit Gupta: And the other set of fermented products that you're working on -- how big can be the opportunity size for them?

Sachin Patel: I wouldn't comment on that particular question right now, because as I said, we are working on multiple projects in R&D. We still need to be very clear in terms of which is the one that -- which are the ones that are first going to come out from R&D, the fermentation and we are still some time away because our fermentation block comes up by next June-July, not this June-July, but next June-July. Nothing to speculate that far ahead would be a bit out of line.

Moderator: The next question is from the line of Kalpesh from JSN Advisory. Please go ahead.

Kalpesh: Sir, I have couple of questions, you mentioned on your capex plans that we are planning to invest INR 200 crores over the next few years. So can we have a broad understanding of what type of turnover we can generate post this entire capex plan?

Sachin Patel: So the principle that we are really using for what products we go in and the business strategy which is there is more based on ROI rather than turnovers. Our objective would be to minimize the number of years in terms of ROI for projects, the capex that we are taking up rather than say that INR 200 crores capex we are expecting so many INR 100 crores turnover. I think that would not be the best possible way of looking at the subject, considering the kind of industry that we are in.

Kalpesh: Then probably any ROI that you would like to have it in your mind, probably for the entire things that you are stable with the next two years, three years type of things, will the current ROI is a good indicator that you would be comfortable or you would be targeting a better ROI from the new businesses as such?

Sachin Patel: I think the current ROI is pretty, pretty healthy, so I think it would be -- for a new facility. This is for old facility. For new facility if we can get something like we would be pretty satisfied with that.

Kalpesh: And when we move for the forward integration or anything the margins would remain in this band or sir or can we expect margins to also expand with the new product streams as such?

Sachin Patel: If we are moving into forward integration I don't believe that the margins would be as healthy as they are in fermentation, because the minute you are moving into forward integration there are significant number of companies that are doing the same thing. So the real value of what we're doing over here is -- comes from the fact that there are limited number of companies, there is a limited amount of capacities that do this and I think that is the differentiation. But that does not mean that we won't forward integrate. We do forward integrate because that just ensures that the business is pretty much in our hand.

Kalpesh: Then probably we would be aiming or targeting a better or higher turnover from the new forward integrated part? And the margins will get compensated over through the volume part?

Moderator: The next question is from the line of Abhilash Hiran, an Individual Investor. Mr. Hiran, request you to please re-join the conference. We'll move on to the next question from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Sure sir, thanks for the opportunity again. The API growth that we are commercializing or that for which the construction will be completed by June-July of this year what kind of acceptance can this year -- what kind of revenues can we generate from our API block once we reach optimal capacity utilization?

Sachin Patel: Was the question that what kind of revenue can we generate from the new API block once?

Ankit Gupta: Yes, sir.

Sachin Patel: Yes. So I think it's something that we've really not come out and given those numbers, but what we are looking at is 25% to 30% growth in terms of where we are this year in the next financial year. So this particular API lock should help us attain that kind of growth level.

Ankit Gupta: And how many products will be manufactured from this API block?

Sachin Patel: One high value product but multiple small product which will be produced wherever we feel that the margins are very healthy.

Moderator: The next question is from the line of Abhilash Hiran, an Individual Investor. Please go ahead.

Abhilash Hiran: Sir, can you explain the tender process for Rifa-S, when are they released and how is it different for the Indian market, vis-a-vis the global market?

Sachin Patel: So, the tender is not for Rifa-S, obviously the tender is for tuberculosis medication in which one particular API that is Rifamycin is used abundantly and to manufacturer Rifamycin you need Rifa-S. So the Government of India comes out with tenders, not just once in a year, multiple times a year to procure tuberculosis medication because treatment of tuberculosis is under our national program. And similarly in the world, you have multiple funds like the Global Funds and many others who provide the funding for treatment of tuberculosis all over the country.

So again, they come out with tenders for procurement on regular basis. So what we are in the midst of right now is for a lot of agencies to come out and declare the final bids with regards to the tenders so that the procurement can start. Right now things have been delayed a bit. But as I mentioned again during the first question, I think the number of patients in terms of tuberculosis still remain at a similar level. So, sooner or later the demand for these tablets and hence Rifamycin and hence our intermediate should be coming through.

Abhilash Hiran: So, sir the what is the rate in which Rifa-O is used that is not under tender process, sir?

Moderator: The audio is getting muffled so please use the handset mode.

Abhilash Hiran: Is this better now? Hello?

Sachin Patel: It's not very, but I think I got the question. So Rifa-O is not a tender-based product. It goes into the manufacturing of another API, which is used for gut infection. So we don't run the risk of that particular product in the tender area.

Abhilash Hiran: Sir, can you explain on the sourcing of our raw materials which are the agri-based products that we need to procure for the purpose of manufacturing Rifa-S and Rifa-O. More on the sourcing front, if you could explain in detail?

Sachin Patel: So the sourcing, the only thing I could really comment on is that the sourcing is all domestic. We source all our raw materials domestically, we are very -- if I do think there is anything that is import-dependent. And otherwise, I cannot comment anything specific that is really a matter of concern or deterrence in our manufacturing supply chain.

Abhilash Hiran: So in the sense do we have long-term contracts on sourcing? And so, just from that front?

Sachin Patel: Not really, we don't work on long-term contracts but we know like in all pharma companies, all pharmaceutical companies, you need to have your respective approved vendors. But that's all about it because that is a part of our quality compliance systems that are there, but there is nothing more specific to it than that.

Abhilash Hiran: Sir, can you explain considering that we are a highly power-driven business, cost is very high. So can you explain what are the alternatives if there is any power shortage, the company faces how would we transition, if there is any power shortage might happen?

Sachin Patel: To be frank, we are continuously exploring what are the alternatives which are there. And if any alternative source of power would indeed have a significant impact on the costing of our products, so it's a continuous exercise. I don't think we have a very clear picture in terms if there is going to be any change in the near future that we are going to make, but as I mentioned, we continuously keep on exploring possibilities and re-looking at numbers to see what is looking interesting.

Abhilash Hiran: And sir just two last questions, can you give us any differentiation in the pricing of our products towards our Chinese counterpart? Generally what would be the pricing differential that we might enjoy vis-a-vis our Chinese counterpart?

Moderator: Sorry to interrupt you Mr. Hiran. The audio is unclear from your line, sir. Please use the handset or speak a little bit louder, sir. The audio is unclear.

Abhilash Hiran: So sir, can you explain the cost differential between our products vis-a-vis Chinese counterparts?

Sachin Patel: You mean the cost difference or the selling price difference?

Abhilash Hiran: Yes, on the selling price, what would be a big differential in the prices, if someone has to import from China, vis-a-vis buy it from you?

Sachin Patel: To me, we honestly our sales and our contract not related to the Chinese prices. We have our own contracts on the basis of our costing, our margin expectations at the same time margin expectations of our partners. So we don't really benchmark in terms of what we have been doing for the last few years vis-a-vis what the Chinese prices are. And I think the Chinese companies would perhaps do the same thing. They would also look at their contracts and not benchmark against what we are doing because it's a very different set up in both the places.

And with regards to costs, I'm really not in a position to comment in terms of what's happening in terms of costs in China. I think it's not just for us to say, but even for other industries where you have manufacturing in India also happening in China is happening, it's difficult to benchmark the two because there is a significant variation in people costs, in energy and finances. So I think it's becoming more-and-more difficult to benchmark how we compare with them.

Abhilash Hiran: Sir, one last question. Can you give the units, just the absolute units of power consumption that we've done for nine months and FY '22.

Sachin Patel: Maybe Mr. Rajneesh Anand can respond to that.

Rajneesh Anand: Can you please repeat? You want to know what is the power cost for nine months, is it?

Abhilash Hiran: No, no, the units that we have used, not the power cost number, but the units that we have used of power.

Rajneesh Anand: Units, well on an average, we have about 3 megawatt of power consumption.

Abhilash Hiran: 3 megawatt of power consumption and this -- and as for FY '22?

Rajneesh Anand: The current -- I'm talking about the peak load that we have is about 3 megawatts, which is uniformly used.

Moderator: The next question is from the line of Keshav from RakSan Investors.

Keshav: Yes, so, sir, as we would be moving to a multi-product structure and in four to five years from now you should have other products scaled too. And our expertise in fermentation is in scaling the processes so are we looking at certain logical extensions such as R&D link ups with academia or companies in the strain improvement or strain engineering space or is it too ambitious to think on those lines right now?

Sachin Patel: I think this is something that everyone in fermentation has been doing even in the past. So I think it's a continuous process, right, to be able to survive in this industry. We cannot say that we are right there because we need to continuously work upon what the technology is. So strain is one part of it. There are other aspects also, in terms of technology that continuously needs improvement. So I think for all processes it is the same thing and fermentation is no different.

Keshav: So sir, the R&D expenses should also instead of going forward is that right assumption as a percentage of sales?

Sachin Patel: Right. R&D expenses going forward?

Keshav: As a percentage of sales should inch up as we go in scale to maintain our competitive advantage that is?

Sachin Patel: Very frankly speaking at this particular stage, very difficult. Very difficult to comment on that particular path, how we anticipate the R&D expenses to go. The reason being that typically in fermentation we don't expect very high material cost. So the variable is people. So we will have to -- and we are increasing our team, so I think only probably as it happens, which we will really get an idea in terms of how expensive R&D is going to be. But our intention is to have quality people with us working on the same.

Moderator: The next question is from the line of to Dhwanil Desai from Turtle Capital.

Dhwanil Desai: Yes. Sir the first question is regarding the API plant that is going to be operational in June-July. So is this in a way of forward integration of the fermentation products that we are making? And kind of are we building the plants for that in the future whatever product that we'll do on the fermentation will also be forward integrated or can be forward integrated into the API plant?

Sachin Patel: The API plant that we are making is a multipurpose facility, which can most certainly be used for APIs that we produced in the future in terms of fermentation. So, no question about it. We don't want to just produce intermediates for all our future products. We would also like to produce APIs. But at the same time, we also see a fair bit of opportunity of doing some API production products, product developments in the near future. So hence, we decided that the right way to go about it would be to start the API blocks at the earliest and that's what we have done.

Dhwanil Desai: If I understand you correctly, it will be a combination of the fermentation products, APIs plus other independent APIs. That's the way to look at it?

Sachin Patel: That's right, that's right.

Dhwanil Desai: And generally, Sachin, what we have observed is that most of the API players kind of get the margin around 17%, so I assume that we also will be in the similar ballpark. Is that the right way, right understanding?

Sachin Patel: Not necessarily. Not necessarily. I think on the basis of the pipeline that we see on the synthetic API part right now, we should be able to get better margins in that.

Dhwanil Desai: And the last question on the fermentation block that is going to be operational in FY '25, so from their incomes of validation and stability and everything I mean, I assume that those kind of processes are also relevant for fermentation product. So what is the timeline for actually doing the commercial production after the bloc is in play?

Sachin Patel: It's a very good question. Now the most -- that is for that particular reason the most important basis was to start our R&D. And our R&D is quite significant as a strategy, because that is not just the R&D from a lab perspective, but we also have a CGMP pilot facility over there, which means that we can scale up our R&D products to a significant level from where at least we can do our basic filing, regulatory filings and at the same time put our products on stability.

That said, it does not mean that we would not have to do the same when we move to the commercial block, because it would be larger capacities if you would have to boost stability again. But at the same time, even after you do the same you still have to wait for a significant amount of time to do the filing, which we should be able to curtail by filing from our R&D.

Moderator: Thank you, Mr. Desai. May we request that you return to the question queue for follow-up questions. The next question is from the line of Ananth Shenoy an Individual Investor. Please go ahead.

Ananth Shenoy: Sir, my first question is about in the API block, do we do fermentation in that fermentation process?

Sachin Patel: No. API block is essentially synthetic chemistry. It's not fermentation at all.

Ananth Shenoy: And the intermediates required for the API block we'll be sourcing from outside? That is either the correct understanding like when we start off?

Sachin Patel: Not necessarily. For some products being made but for some product we may -- so it's not just the final powder processing area. There is a fair bit of synthetic chemistry that you can do over there that is the way it has been designed and planned. So we should be able to do some -- a fair amount of chemistry as such.

Ananth Shenoy: And next question is about we had mentioned in the last call about getting FDA approval for this US-FDA approval and all that. So given that it will take nine months, like you have mentioned six to nine months, do we expect any API sales to happen next year or it will be all mostly in FY '25 onwards?

Sachin Patel: For the API synthetic block with most certainly undergo if not U.S. at least some regulated markets, orders in the next financial year because we would be filing in the respective areas from there.

Ananth Shenoy: And my last question is about our parent company Themis Medicare also has a subsidiary which does API. So I just wanted to understand what are the like why we are doing API in two companies separately from the promoter perspective?

Sachin Patel: I think we have a Themis Medicare earnings call in a couple of days.

Moderator: The next question is from the line of Jegadees Sharma, an Individual Investor. Please go ahead.

Jegadees Sharma: My question is that when we looked into the sales of ours, especially December sales other than -- other quarter sales are good, but December sales are falling. Why is it, sir? Only December sales. 2019, '20, '21, '22 the December sales are falling and this year was better. Why is that, sir, when compared to other quarters?

Sachin Patel: Are you referring to Q3 sales?

Jegadees Sharma: Yes, sir, Q3 of last four years, four financial years.

Sachin Patel: I think if you see year-on-year, the sales for us at least compared to last year, the sales have increased. But overall, you're right. We have seen some kind of a trend whereby in Q3 the sales go down. Perhaps it is just the cycling of the tender which is there in case of tuberculosis market. But I think when they start opening up, you have a lot of requirement that comes in.

Jegadees Sharma: Because year-on-year we are beating year-on-year. Like we beat the result of previous financial year like 50% to 40% every year, we have that growth, but December -- it's like December is lagging for every year, that's why I want to ask that question. And second is, what is our margin for the API, sir, the API block which is about to come?

Sachin Patel: First of all I can answer your first question. I would not read too much into the pattern of two years or three years with regards to December requirements or Q3 requirements, because we have been producing this particular product for I think about 10 years albeit on other business models before that. And we have not been able to get a pattern, which is very clear in terms of which quarter is high and which quarter is low, so we might have seen this pattern for the last two quarters -- last two years, but I wouldn't still be convinced that there is some kind of a pattern, which is being created.

We are not sure it is. But to simply state that it is the timing of the tenders. In terms of APIs that we are going to produce in the future now, unlike fermentation APIs, the overhead costs or other energy costs are not so high. So we would aim that at least at the gross margin level the material costs should be in the region of 50% to 60%, not more than that.

Jegadees Sharma: No, sir. Come again please -- gross margin we will acquire, like we will cope up.

Sachin Patel: Sorry, I'm not able to hear you.

Jegadees Sharma: No, what is the gross margin which you just mentioned, sir, and the power cost?

Sachin Patel: Well, I would put it this way that the gross margin over material cost should be anywhere between 40% to 50%.

Jegadees Sharma: Okay, and power cost will be.

Sachin Patel: Not possibly to state, because it depends upon product-to-product and process, the process, so that will be to -- it would be too speculative at the moment.

Jegadees Sharma: So can you give guidance for next year and next year after that, like '24 and '25?

Sachin Patel: I mentioned in the previous question that we are looking at increasing our business by about 25% next year, but anything beyond that again we would not like to speculate anything beyond that.

Jagdish Sharma: Like do you have any revenue target, sir?

Sachin Patel: I mentioned, we are looking at a 25% growth for next year.

Moderator: The next question is from the line of Saloni Hemnani from Molecule Ventures PMS.

Saloni Hemnani: Yes. Sir, I just had a follow-up question on the R&D part, so you mentioned earlier that we are increasing our team for R&D. So, can you let me know currently what is the size of our R&D team and how much team members are we going to add into that?

Sachin Patel: Mr. Rajneesh Anand can answer that.

Rajneesh Anand: Yes. You see right now one, we have hired one foreign consultant who is working full-time in the plant in R&D. And at the same time, we have got two more foreign consultants who are advising us offline. And similarly, we have one Indian consultant who is very senior in the field, in which we are going endeavouring to go into in future.

Plus we have about 10 employees full-time with us, who are working under their guidance at the moment. But as soon as the new R&D is ready we are also trying to find suitable people for those positions. Does that answer your question?

Moderator: Thank you. Ms. Hemnani, may we request that you return to the question queue for follow-up questions. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Dr. Sachin Patel for closing comments. The remaining participants get in touch with IR for follow-up questions. Thank you and over to you sir.

Sachin Patel: Thanks. So finally I would like to thank the entire team of GTBL for their untiring efforts, hard work and dedication. This is what drives the company forward through various market conditions also. I appreciate all of you for participating in our conference calls. Please do get in touch with our Investor Relations team for any further questions that you may have. Thanks very much and have a lovely evening.

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