Gufic BioSciences Ltd. – Investment BUY Call

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 20 July 2026

CMP -> 380
Buying Range -> 380 to 388
Upside Potential-> 15%
Investment Horizon -> 6 to 9 Months
Target price -> 435

1. Investment Thesis & Financial Performance

We maintain a BUY recommendation on Gufic Biosciences Ltd. with a medium-term investment horizon of 6–9 months, supported by improving earnings visibility, expanding manufacturing capabilities, rising contribution from high-margin complex injectables and multiple commercialization triggers expected over the next few quarters. The company delivered a healthy FY26 financial performance despite being in the investment phase of its large-scale capacity expansion. During Q4FY26, revenue increased 23% YoY to INR 252.1 crore, EBITDA grew 65.6% YoY to INR 44.7 crore, while EBITDA margin expanded significantly to 17.7% from 13.2%. PAT more than doubled to INR 20.5 crore, reflecting improving operating leverage and a better product mix. For FY26, revenue increased 14.7% YoY to INR 940.5 crore, with EBITDA of INR 152.9 crore and PAT of INR 63.2 crore. Management remains confident of delivering around 15% revenue growth in FY27, with gradual improvement in gross margins and profitability as the Indore facility scales up and utilization improves.

2. Business Overview

Gufic Biosciences is a specialty pharmaceutical company focused on high-entry-barrier pharmaceutical products, particularly complex injectable formulations manufactured using advanced lyophilization (freeze-drying) technology. Its diversified portfolio spans critical care therapies, anti-infectives, immunology, fertility solutions, women's health, APIs, contract development and manufacturing (CDMO/CMO), botulinum toxin, international formulations and advanced drug-delivery systems. The company serves hospitals, IVF centres, critical care units, pharmaceutical companies and international healthcare markets through branded formulations, contract manufacturing and licensing arrangements. Its manufacturing capabilities include lyophilized injectables, liquid vials, ampoules, depot injections, dual-chamber drug-delivery systems, microspheres and other complex formulations. The business is supported by multiple regulatory-approved manufacturing facilities catering to domestic and regulated international markets, while its growing focus on IP-led products and owned marketing authorizations further strengthens its long-term competitive positioning.

3. Business Updates, Strategic Execution & Capacity Expansion

Over the past two years, Gufic has successfully executed one of the largest expansion phases in its history through the commissioning of its state-of-the-art Indore injectable manufacturing facility, which commenced commercial production during FY25. Designed to comply with WHO-GMP, EU-GMP, MHRA, ANVISA and USFDA standards, the plant offers installed capacities of nearly 5 million lyophilized vials, 6 million liquid vials and 10 million ampoules per month, creating substantial headroom for future growth. More than 40 technology transfers have already been completed, over 200 product approvals have been secured and customer migration from the fully utilized Navsari facility continues to progress. Management expects the Indore plant to transition from breakeven to becoming meaningfully margin accretive during FY27, with annual revenue potential of approximately INR 675–700 crore at optimal utilization. With major greenfield investments largely completed, future capital allocation will primarily focus on product development, regulatory approvals, technology transfers and selective capacity enhancement rather than heavy capex.

4. Growth Catalysts – Manufacturing Scale-Up, CDMO & Product Commercialisation

The company's strongest near-term growth catalyst remains the rapid ramp-up of the Indore manufacturing facility, which is expected to drive revenue growth, operating leverage and profitability over the next 2–4 quarters. Management has guided for gradual improvement in EBITDA margins as capacity utilization rises and fixed costs are absorbed across a larger production base. Completion of customer migration from Navsari, increasing CDMO production for leading domestic pharmaceutical companies, commercialization of recently approved injectable products and validation of multiple GLP-1 manufacturing batches provide strong revenue visibility. Contract manufacturing opportunities related to GLP-1 injectable products, together with restoration of normal CDMO revenues, are expected to contribute meaningfully from FY27 onward. The absence of major greenfield capex over the next two years should also improve free cash flow generation as incremental revenues increasingly flow through to profitability.

5. Growth Catalysts – Domestic Business Expansion & Higher-Margin Therapeutic Segments

The domestic formulations business continues to demonstrate healthy momentum across several high-value therapeutic categories. The Critical Care franchise remains well positioned through leadership in anti-infectives, antifungals and antimicrobial-resistance therapies, supported by upcoming launches including Aztreonam-Avibactam and other next-generation antibiotic combinations. The Ferticare platform continues to strengthen its leadership in reproductive immunology and IVF therapies, with brands such as Guficin Alpha, Puregraf, Cetrocare and Supergraf gaining wider adoption among premium fertility centres. Management expects Ferticare to approach the INR 100 crore revenue milestone while simultaneously expanding into chronic women's healthcare segments including endometriosis, PCOS, menopause and reproductive immunology. Additionally, the aesthetics business is expected to benefit from the commercialization of newly licensed dermal fillers, complementing the existing botulinum toxin franchise and creating meaningful cross-selling opportunities across dermatology and aesthetic medicine.

6. Growth Catalysts – International Business, Regulatory Approvals & Structural Growth Opportunities

The international formulations business is undergoing a structural transformation from a distributor-led model toward an IP-owned and marketing-authorisation-controlled business model, enabling significantly higher margins and recurring licensing revenues. Through Gufic Ireland, the company is gradually obtaining direct marketing authorizations across Europe while simultaneously expanding into Latin America, Africa and Southeast Asia. During FY26, regulatory approvals were secured across multiple countries including South Africa, Colombia, Myanmar, Germany and Ecuador, while dossiers were filed in numerous additional markets. The company also secured an important NHS tender in the United Kingdom, validating its manufacturing quality and regulatory capabilities. Pending EU-GMP certification for the Indore facility is expected to unlock regulated European exports during FY27, creating a large high-margin growth opportunity. Over the longer term, increasing penetration in regulated markets, expanding licensing arrangements, technology-transfer agreements and direct supply contracts are expected to strengthen earnings quality and diversify revenue streams.

7. Operating Leverage, Margin Expansion & Strategic Collaborations

Gufic Biosciences offers significant operating leverage as its recently commissioned manufacturing infrastructure moves towards optimal utilization. Higher production volumes from the Indore facility are expected to improve asset turnover, dilute fixed manufacturing costs and expand operating margins. Additional support should come from an improving product mix driven by complex injectables, fertility products, critical care therapies, exports and higher-margin CDMO contracts. Operational efficiencies arising from technology transfers, larger batch sizes, cost optimization initiatives and increased export contribution should further enhance profitability. The company has also strengthened its competitive position through strategic collaborations, including partnerships for GLP-1 contract manufacturing, dual-chamber drug-delivery systems, botulinum toxin development and aesthetics products through a leading Canadian partner. These collaborations not only broaden the product portfolio but also improve cross-selling opportunities, accelerate commercialization timelines and strengthen the company's presence across multiple specialty pharmaceutical segments.

8. Balance Sheet Strength, Cash Flow Performance & Capital Allocation

The company maintains a healthy balance sheet capable of supporting future growth initiatives. Total assets increased to INR 1,341.6 crore following completion of the Indore expansion, while cash and cash equivalents improved substantially to INR 60.3 crore from INR 14.9 crore a year earlier. Operating cash flow remained positive at INR 44 crore despite elevated working capital requirements associated with new product launches and manufacturing ramp-up. Although debt increased during the expansion phase, management expects leverage to stabilize as major capital expenditure has been completed and no significant greenfield investments are planned over the next two years. Consequently, improving profitability, stable depreciation and finance costs, along with rising utilization levels, should gradually strengthen free cash flow generation and financial flexibility.

9. Industry Outlook, Sector Tailwinds & Emerging Opportunities

The specialty injectable pharmaceutical industry continues to benefit from favourable structural trends including increasing healthcare expenditure, rising hospitalization rates, growing incidence of antimicrobial resistance, expanding fertility treatments, greater adoption of biologics and sustained demand for complex sterile injectable products. Higher regulatory barriers and manufacturing complexity continue to limit competition in several of Gufic's focus areas, enabling relatively stronger pricing power and margin resilience. Government initiatives supporting domestic pharmaceutical manufacturing, increasing outsourcing by global pharmaceutical companies, growing CDMO opportunities and rising penetration of regulated export markets further strengthen the long-term outlook. The company's diversified exposure across hospital therapies, fertility, women's health, critical care, aesthetics and international formulations reduces dependence on any single therapeutic segment while positioning it to benefit from multiple industry growth drivers.

10. Key Short-Term Headwinds & Risks

Key short-term risks include a slower-than-expected ramp-up in utilization at the Indore manufacturing facility, delays in receiving regulatory approvals such as EU-GMP certification, slower commercialization of recently approved products, postponement of customer technology transfers, pricing pressure in export markets and delays in CDMO order execution. The company also remains exposed to regulatory inspections, product approval timelines, foreign currency fluctuations, higher working capital requirements and competitive intensity within the specialty pharmaceutical industry. Additionally, any delay in scaling high-margin injectable products or GLP-1 manufacturing opportunities could temporarily moderate margin expansion over the next few quarters. However, management believes these risks are manageable considering the substantial manufacturing investments already completed and the strong pipeline of approved products awaiting commercialization.

11. Investment Conclusion

We maintain our BUY recommendation on Gufic Biosciences Ltd. for a 6–9 months investment horizon. The company is entering an important earnings expansion cycle supported by the commercialization of its Indore facility, improving operating leverage, expanding CDMO opportunities, robust growth in critical care and fertility businesses, increasing penetration into regulated international markets and a growing portfolio of high-margin specialty injectable products. With heavy capital expenditure largely completed, improving capacity utilization, favourable management guidance, strengthening cash flow generation and multiple product launches expected over the coming quarters, Gufic Biosciences appears well positioned to deliver healthy revenue growth, sustained margin expansion and superior shareholder value creation over the medium term.

Financial Performance in Q4FY26:

	YoY	QoQ	Mar 2026	Dec 2025	Mar 2025
Revenue Cr	22.8%	8.8%	252	231	205
Operating Profit Cr	79.0%	43.1%	47	33	26
OPM %			18.8	14.3	12.9
PAT Cr	183.7%	76.3%	22	12	8
NPM %			8.7	5.4	3.8
EPS ₹	183.1%	75.8%	2.2	1.2	0.8

Recommendation Timeline & Performance Summary: -

1. 31 May 2026 – Initial BUY Recommendation: The BUY call was initiated at a price of 334 with a target price of 394, implying an upside potential of ~18% over a 6 to 9-months investment horizon.

2. 8 June 2026 – Target Achieved: The stock achieved our target price of 394 on 8 June 2026, in one week of our recommendation. Thereafter, it maintained its upward momentum and touched a high of 448 on 30 June 2026. Consequently, the stock generated a return of 34% within one month of our recommendation, significantly outperforming our envisaged medium-term investment horizon of 6–9 months.

3. **20 July 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 380 with a target price of 435, indicating an envisaged upside potential of 15% over the next 6 to 9 months.

Happy investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team