Gufic BioSciences Ltd. – Investment BUY Call Thesis

Dear Bajaj Capital Investors,
New Stock Recommendations for BUY on 21 Oct 2026

CMP -> 385
Buying Range -> up to 395
Upside Potential-> 17%
Investment Horizon -> 9 to 15 Months (3 to 5 Quarters)
Target price -> 450

1. Business Overview, Key Segments & Industries Served

Core Business Model & Freeze-Drying Expertise: Gufic BioSciences has evolved over five decades from a branded-generics player into an innovation-led, research-first pharmaceutical company. The company's business model is anchored in a difficult-to-master freeze-drying (lyophilization) technology platform, which serves as the foundation for manufacturing complex injectables and novel drug-delivery systems. This advanced manufacturing complexity inherently creates high-barrier niches that protect against price erosion, allowing the company to command premium positioning in the market. The company also operates a robust contract manufacturing (CMO) backbone, validating its high-quality standards through partnerships with over 70 pharmaceutical companies, including industry majors like Abbott, Sun Pharma, Cipla and Dr. Reddy's.

Key Product Segments & Franchises: Company operates through four primary business engines: critical-care injectables, a women's-health platform, a botulinum toxin franchise and an international business. The critical-care division functions as a reliable cash cow, serving over 2,000 Indian hospitals with anti-infective and antifungal injections & commanding over 25% domestic market share in high-value molecules like Caspofungin and Polymyxin B. The women's-health platform holds category leadership in reproductive immunology with flagship brands like Guficin Alpha, while also expanding into chronic therapies for endometriosis, PCOS and menopause. Additionally, botulinum toxin segment, which is one of only five such manufacturing platforms globally, holds a strong number two position in India's aesthetics market with roughly 23% market share.

Geographic Footprint & End-User Sectors: Gufic operates heavily in the domestic Indian market, which accounts for approximately 76.93% of its turnover, while exports make up the remaining 23.07%. The company's products primarily serve the healthcare and pharmaceutical industries, with major applications across hospital intensive care units (ICUs), premium In Vitro Fertilization (IVF) centers, aesthetic dermatology clinics and specialized neurology and urology practices. Internationally, the company has established direct market access vehicles through subsidiaries in the UK, Ireland and Dubai to target regulated markets and emerging regions across Africa, Southeast Asia and South America. Growth is structurally dependent on expanding proxy sectors such as specialty hospital healthcare, the booming medical aesthetics market and the rising demand for complex reproductive treatments.

2. Financial Performance, Balance Sheet & Cash Flow Analysis

Revenue & Profitability: Gufic demonstrated strong financial resilience in FY26, a transition year marked by absorbing the fixed costs of its new facility, by delivering consolidated revenue of INR 944.0 crores, a 15.2% year-over-year increase. While the FY26 PAT moderated to INR 63.2 crores due to heavy depreciation and interest costs from capitalizing the Indore plant, Q4 FY26 marked a pivotal inflection point as the strongest quarter ever, achieving INR 252 crores in revenue and doubling its PAT year-over-year to INR 20.5 crores. This momentum carried into Q1 FY27, where revenue reached INR 260.8 crores (up from INR 226.9 crores in Q1 FY26) and PAT surged to INR 22.46 crores with an improved PAT margin of 8.61%. Management guidance shared in recent concalls projects a baseline revenue growth of 15% to 20% YoY, targeting around INR 1100 crores for FY27.

Balance Sheet Strength & Leverage: The company's balance sheet strength remains robust, underpinned by a strong net worth of INR 659 crores as of March 31, 2026, which grew from INR 595 crores in the previous year driven by steady reserve accretion. Gufic maintains a comfortable leverage position, with a total outside liabilities to adjusted net worth ratio of 1.03 times and a healthy gearing ratio of 0.58 times. The gross debt stands at approximately INR 400 crores, which management expects to maintain to support working capital needs as the topline expands. Debt protection metrics are highly favorable, reflected in an interest coverage ratio of 4.2 times and a net cash accrual to adjusted debt ratio of 0.2 times in FY26, highlighting strong financial flexibility.

Cash Flow Performance & Working Capital: Gufic's focus on cash flow conversions has been a critical operational highlight, particularly following a strategic reset in the critical care division's hospital distribution channel to correct stretched receivables of over 140 days. This shift to a clearing-and-forwarding stockist-led model has significantly improved collections, ensuring outstanding days are now within standard trade terms.

Financial Year	CFO to PAT	CFO to Operating Profit
FY24	-9%	13%
FY25	176%	107%
FY26	70%	38%

3. Capex Execution, Operating Leverage & Margin Expansion

Capacity Expansion & Indore Scale-up: Over the past 12 to 18 months, Gufic has successfully transitioned its state-of-the-art multi-format sterile facility in Indore from a capital creation phase to commercial operational leverage. The Indore plant, which has completed its aseptic process simulations and tech transfers, reached a critical milestone by achieving EBITDA breakeven in Q4 FY26. Capacity utilization has ramped up steadily from 18–25% last year to 30–35% currently, with management guiding a target of 40–45% by year-end FY27. Importantly, no significant new greenfield capex is planned for the next two years beyond routine replacement spending of around INR 20 crores, allowing cash flows to support debt servicing and internal growth.

Operating Leverage & Margin Trajectory: The company is primed for significant operating leverage over the coming quarters as higher capacity utilization at the energy-efficient Indore plant spreads fixed costs over a larger revenue base. Management has outlined a clear margin expansion algorithm, projecting EBITDA margins to stabilize around 18% in FY27 and subsequently improve by 0.5% to 1% annually, targeting above 20% by 2030. This margin uplift will be driven by operational efficiencies, cost optimization and a highly favorable product mix shift. Specifically, migrating B2B contract clients from the Navsari unit to the Indore unit frees up accredited capacity for higher-margin regulated exports, structurally lifting overall profitability.

Strategic Collaborations & Portfolio Expansions: During the past 18 months, particularly over the last 6 months, Gufic has executed vital strategic partnerships to bridge portfolio gaps and expand its competitive moat. A standout development is the in-licensing agreement with Revanesse Prollenium, a leading Canadian aesthetics company, to bring a top-tier dermal filler to the Indian market by December or January. This initiative requires zero capex and perfectly complements Gufic's botulinum toxin offerings, allowing doctors to consolidate purchases and giving Gufic a path to claim the number one position in India's INR 200 crore aesthetics market. Furthermore, collaborations for GLP-1 (Semaglutide) CMO operations and investments in immuno-oncology via Australian biotech Selvax enhance cross-selling opportunities and long-term growth avenues.

4. Growth Catalyst 1 - EU GMP Certification & Export Acceleration

Audit Completion & Regulatory Validation: A primary growth catalyst for the next 3 to 5 quarters is the impending European Union Good Manufacturing Practice (EU GMP) certification for the newly operational Indore facility. The comprehensive audit was successfully completed in December 2025 by the Portuguese Competent Authority. Management indicated in the Q1 FY27 concall that they expect to receive the formal certificate within a month or two, after submitting final compliance data. This regulatory validation acts as an independent stamp of world-class quality and unlocks access to highly lucrative, regulated international markets.

Unleashing Regulated Market Potential: The receipt of the EU GMP certificate will trigger a sequenced entry into European and harmonized markets, fundamentally altering the company's export trajectory. While semi-regulated exports from Indore already commenced in January 2026, the European approval will allow Gufic to leverage its subsidiary, Gufic Ireland Limited, which already holds the first EU Marketing Authorization in the company's name. This enables direct supply into these geographies rather than relying on third-party intermediaries, capturing a larger share of the value chain.

Margin Uplift from High-Value Geographies: Entering European markets with self-owned registrations is expected to directly drive margin expansion. Indore facility operates with a 2.5x unit-cost advantage for exports because it processes batch sizes of over 1 Lakhs vials compared to the industry average of 40K, spreading fixed Qualified Person release costs efficiently. As higher-margin regulated exports increase to hit management's peak target mix of approximately 30%, blended realizations per vial will rise substantially, reinforcing company's structural profitability.

5. Growth Catalyst 2 - CDMO Opportunities & GLP-1 Commercialization

Strategic CMO Partnership for Semaglutide: Another powerful near-term growth catalyst is Gufic's entry into the high-demand GLP-1 receptor agonist market through a pure-play Contract Manufacturing Organization (CMO) agreement. Gufic has partnered with Hetero, which secured necessary approvals for semaglutide in May 2026. Gufic will act exclusively as the manufacturing engine for lyophilized vial formats, carrying zero front-end commercialization risk while benefiting from guaranteed manufacturing volumes.

Ramp-up Execution & Utilization Outlook: The execution of this CMO partnership is expected to gain significant momentum in the coming quarters. While Q1 FY27 saw only a residual impact due to plant shutdowns for new machine installations, management confirmed during the latest concall that traction improved materially in July and August, with the actual volume ramp-up expected to peak in Q3 FY27. By the end of the year, capacity utilization for this product is expected to skew heavily toward international markets (70%) versus domestic (30%), supported by filings across more than 22 countries.

Long-Term CDMO Optionality & US FDA Pathway: Beyond the immediate GLP-1 opportunity, Gufic is methodically building its long-term CDMO optionality, particularly targeting US market. US FDA validation batches are scheduled for July-August 2026 to trigger a facility inspection by the end of the year. By initially entering the complex US market as a CMO/CDMO rather than taking on front-end commercial risk, Gufic aims to begin US operations by 2028-2029, representing a massive structural growth driver for the future.

6. Growth Catalyst 3 - High-Margin Complex Injectables & R&D Platforms

Shift to Depot & Liposomal Formulations: Gufic's relentless focus on R&D has yielded a pipeline of over 50 projects, with a strategic shift toward highly complex, difficult-to-manufacture injectables. During Q1 FY27, company began installing and qualifying dedicated product lines for depot and microsphere presentations at the Indore facility. Additionally, company is setting up capabilities for a lipid-based antifungal formulation, a specialized manufacturing route operated by very few sites in India. These platforms are slated to become fully operational within the current fiscal year.

Higher Unit Realizations & Profitability: Commercialization of these complex injectables is designed to dramatically upgrade company's product mix & avg. unit economics. Currently, facility's utilization is dominated by vials generating INR 80 to 100 in revenue; however, introduction of long-acting depot & liposomal products will shift per-vial realizations to b/w INR 300 to 1,500. This monumental leap in unit pricing, alongside a management goal to eventually reach an avg. INR 500 per vial model, will act as a supercharger for gross & operating margins over the medium term.

Proprietary R&D & Backward Integration: To further protect margins and ensure supply chain resilience, Gufic is aggressively pursuing backward integration into critical Active Pharmaceutical Ingredients (APIs) and peptides. By shifting from purchasing finished APIs to manufacturing them in-house from key starting materials, the company has already reduced its outsourcing reliance from 80-85% down to roughly 65%, with a firm target of reaching 50%. This self-reliance prevents pricing ransom from external suppliers, directly supports the guided 0.5% to 1% annual gross margin improvement and allows the company to file independent regulatory dossiers.

7. Growth Catalyst 4 - Aesthetics Portfolio & Toxin Therapeutics Expansion

Fillers In-Licensing to Bridge Portfolio Gaps: Gufic's aesthetics business is poised for accelerated growth following a strategic in-licensing agreement with Revanesse Prollenium to import and market a leading Canadian dermal filler. Scheduled for launch in December or January, this zero-capex initiative addresses the most significant gap in Gufic's portfolio. By offering a credible, top-tier filler alongside its existing products, Gufic eliminates the need for doctors to source from competitors who bundle toxins and fillers, capturing a larger share of the physician's wallet and targeting dominance in India's INR 200 crore filler market.

Strengthening the Botulinum Toxin Moat: Gufic’s indigenous botulinum toxin brand, Stunnox, has already firmly established itself as the number two brand in the Indian aesthetics market with a 23% share. The underlying manufacturing platform, developed in partnership with US-based Prime Bio, is a massive competitive moat, as Gufic is one of only five companies globally capable of producing this complex biological product. The dedicated Navsari facility currently produces about 20,000 vials monthly but holds a massive scalable capacity of 10-15 lakh vials, meaning the infrastructure is already fully built to absorb explosive future growth.

Expanding Therapeutic Applications: Beyond aesthetics, Gufic is aggressively expanding the use of its therapeutic toxin brand, Zarbot, across multiple medical disciplines. The NeuroCare division is pushing the product beyond basic neurology into urology, ophthalmology, neurosurgery and pain management. Because therapeutic toxin adoption is driven by strict clinical guidelines, it generates highly sticky, recurring revenue once a clinician is onboarded. Zarbot has already gained adoption from over 100 leading Indian neurologists, signaling strong momentum in this high-margin, long-cycle segment.

8. Growth Catalyst 5 - International IP-Led Business Model Pivot

Structural Transition to Owned Marketing Authorizations: Gufic is executing a profound structural reset in its international business, transitioning away from an opportunistic, price-sensitive supplier model where distributors held intellectual property (IP). Under the new architecture driven by entities like Gufic Ireland & Gufic UK, company now directly holds the marketing authorizations and owns the IP for its products in foreign markets. This pivot towards a Business-to-Consumer (B2C) or direct-front-end model in emerging regions like Africa and Southeast Asia structurally upgrades the quality and durability of the company's international earnings.

Monetization through Multiple Revenue Streams: Owning the marketing authorizations enables Gufic to monetize its products through three distinct and lucrative routes: direct product supply, upfront out-licensing fees and recurring technology-transfer royalties. Management noted that while the old distributor model yielded moderate returns, the new IP-owned model allows the company to push margins upwards of 15% to 20% higher. This strategic shift is already yielding financial results, with the international segment growing by INR 60-70 crores in FY26, driven by fee income alongside standard supply revenue.

Rapid Regulatory Approvals & Therapy Basket Strategy: The execution of this international strategy is moving at an accelerated pace, supported by a "therapy basket" filing approach where multiple products in a single therapeutic area are submitted simultaneously. In Q4 FY26 alone, the company secured 24 new product approvals across countries like Myanmar, the Philippines, South Africa, Colombia, Germany and Ecuador and filed dossiers in 18 new countries. This rapid regulatory momentum directly attacks an addressable market estimated at USD 824 million, positioning the international division as a primary growth engine for the next several years.

9. Short-Term Risk 1 - Macroeconomic Volatility & Geopolitical Tensions

Geopolitical Trade Shifts & Middle East Conflicts: In an increasingly highly volatile and uncertain world, Gufic's expanding international footprint exposes it to significant macroeconomic and geopolitical risks. Management explicitly noted in the annual report that the global environment has become "less predictable," and conflicts such as the current war going on in the Middle East present immediate headwinds. For example, a noticeable dip in export revenues during March 2026 was directly linked to trans-shipment issues and disruptions in West Asia. Prolonged geopolitical instability could continue to disrupt market access and delay international revenue realization.

Logistics Disruptions & Freight Cost Pressures: The ongoing geopolitical tensions inherently lead to severe logistics disruptions and escalating freight cost pressures. Delivery execution for international orders can be delayed due to routing complexities and broader supply chain issues, compressing near-term margins. If freight problems persist, the company may face higher transportation overheads that could offset some of the targeted gross margin improvements from its export initiatives, requiring tight cost management to navigate effectively.

Forex Volatility & Inflation: Expanding global operations also heightens exposure to volatile foreign exchange fluctuations & raw material inflation. Changes in tariff structures or sudden shifts in government trade policies across various geographies could negatively impact pricing competitiveness. Additionally, while Gufic is working to backward integrate, it still imports a significant portion of its APIs; thus, any short-term raw material inflation driven by global supply chain shocks could temporarily pressure gross margins before price hikes can be passed on to the market.

10. Short-Term Risk 2 - Operational Headwinds & Regulatory Pressures

Facility Downtime & Capacity Gating: Operationally, Gufic faces short-term headwinds related to facility downtimes required for expanding capabilities and regulatory audits. During Q1 FY27, the company experienced a 10- to 15-day plant shutdown due to the installation of new machinery, which temporarily interrupted the ramp-up of the GLP-1 CMO operations. Management also indicated the potential for further brief closures to accommodate visiting regulatory authorities. These necessary but disruptive operational pauses can create slight QoQ revenue volatility.

Stringent Regulatory Compliance Timelines: The company's medium-term growth is heavily contingent on successfully navigating complex regulatory landscapes and any delays in compliance certifications pose a tangible risk. For instance, the highly anticipated EU GMP certification for the Indore facility is a critical gating item for margin expansion; any unexpected regulatory requests or prolonged delays in receiving the certificate could defer expected export revenues. Similarly, the planned US FDA inspection pathway is inherently complex and the timing of US market entry remains subject to strict, unpredictable regulatory calendars.

Pricing Pressures & Working Capital Adjustments: In the domestic market, Gufic faces continuous pricing pressure on essential medicines, which caps value growth in segments like critical care despite healthy volume expansion. Furthermore, the company recently underwent a painful but necessary working capital adjustment by resetting its hospital channel to a clearing-and-forwarding model to fix stretched receivables. While collections have normalized, any failure to maintain this commercial discipline could result in renewed working capital stress or temporary revenue hits if channel partners resist the tighter credit terms.

11. Conclusion & BUY Investment Thesis for Medium-Term Horizon

Conviction Grounded in Structural Upgrades: Based on a comprehensive review of the Q1FY27 and FY26 financial results, management commentary and recent operational milestones, Gufic BioSciences presents a compelling BUY opportunity for a medium-term investment horizon of 9 to 15 months (3 to 5 quarters). The company has successfully navigated a heavy capital expenditure cycle and is now pivoting from capacity creation to aggressive capacity utilization. The investment thesis is firmly grounded in the structural upgrade of the business model—shifting from low-margin B2B supply to a high-margin, IP-owned international framework, alongside a transition toward complex, difficult-to-manufacture depot and liposomal injectables.

Earnings Visibility Driven by Operating Leverage: Earnings visibility over the next 3 to 5 quarters is exceptionally strong, driven by immense operating leverage as the state-of-the-art Indore facility ramps up utilization past the 40% mark. Key near-term catalysts, including the impending EU GMP certification, the ramp-up of GLP-1 contract manufacturing and the launch of the top-tier Canadian dermal filler, provide clear avenues for revenue growth and margin expansion. By strategically shifting its product mix toward INR 300–1,500 per vial realizations and aggressively pursuing backward API integration, Gufic is structurally insulating its gross margins.

Final Verdict on Medium-Term Buy Call: While short-term risks such as Middle East geopolitical tensions, freight volatility and regulatory timing dependencies exist, they are vastly outweighed by the company's fortified balance sheet, robust cash flow focus and dominant market positioning in niche segments like reproductive immunology and botulinum toxin. Management's proven execution track record, coupled with an explicit target to drive EBITDA margins toward 20% and top-line growth of 15% to 20%, solidifies the conviction. Gufic BioSciences is perfectly positioned to translate its high-science manufacturing capabilities into outsized shareholder returns over the medium term.

Consolidated Financial Highlights – Q1 FY27:

	YoY	QoQ	Jun 2026	Mar 2026	Jun 2025
Revenue Cr	16.6%	3.6%	261	252	224
Operating Profit Cr	40.0%	-1.3%	47	47	33
OPM %			17.9	18.8	14.9
PAT Cr	70.7%	1.9%	22	22	13
EPS ₹	70.8%	1.8%	2.2	2.2	1.3

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 to 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.

4. 2 Sept 2026 – Revised Target Achieved: The stock achieved our re-initiated target price of 435 on 2 Sept 2026 and delivered a return of 23% (stock price touched to 467 on 7 Sept 2026) within 1.5 months duration from our re-initiated BUY recommendation, significantly ahead of our envisaged 6 to 9 months investment horizon.

5. Moreover, **stock delivered a cumulative return of 40% in 3 months of initial BUY recommendation,** significantly outperforming our envisaged 6 to 9 months investment horizon.

6. 21 Oct 2026 – Re-Initiation of BUY Call: We have re-initiate the BUY call at the CMP of 385 with a target price of 450, indicating an envisaged upside potential of 17% over the next 9 to 15 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team