

INDOCO REMEDIES LIMITED

MANAGEMENT DISCUSSION & ANALYSIS FOR THE THIRD QUARTER FY15

➤ **Revenue figures**

(₹ In Lacs)

Particulars	Unaudited							Audited
	Quarter Ended				Nine Months Ended			Year Ended
	Dec'14	Sept'14	Dec'13	Gwth %	Dec'14	Dec'13	Gwth %	Mar'14
Net Sales :								
Domestic – Formulation	12285	13740	11492	6.9	38182	33328	14.6	43861
- API	640	684	539	18.7	1913	1789	6.9	2277
Total Domestic ... (A)	12925	14424	12031	7.4	40095	35117	14.2	46138
Formulation Exports :								
- Regulated Market	6633	6555	5235	26.7	18916	13948	35.6	20046
- Emerging Market	1047	950	961	9.0	2607	2338	11.5	3066
Formul. Exports Total:	7680	7505	6196	23.9	21523	16286	32.2	23112
API's Export :	648	667	578	12.1	1972	1638	20.4	2323
Total Export ... (B)	8328	8172	6774	22.9	23495	17924	31.1	25435
Total Net Sales (A+B)	21253	22596	18805	13.0	63590	53041	19.9	71573
Analytical & Testing Income	40	46	36	11.1	141	110	28.2	164
Net Revenue	21293	22642	18841	13.0	63731	53151	19.9	71737
Other Operating Income	373	201	(60)	-	642	1258	-	1034
Total Income from Operation	21666	22843	18781	15.4	64373	54409	18.3	72771
EBIDTA	4270	4863	2985	43.0	12790	8721	46.7	12008
Operating Profit	3304	3769	2164	52.7	9939	5904	68.3	8479
Profit Before Tax	2820	3336	1808	56.0	8654	4952	74.8	7211
Profit After Tax	2162	2241	1412	53.1	6406	3934	62.8	5790

➤ **Financial Highlights**

During the third quarter of FY15, the net revenues have grown by 13.0 % at ₹ 212.9 Crs as against ₹ 188.4 Crs during the same period last year. The Domestic Business has grown by 7.4 % at ₹ 129.2 Crs as against ₹ 120.3 Crs and International business by 22.9 % at ₹ 83.3 Crs as against ₹ 67.7 Crs during the same period last year.

The material consumption is 36.5% of net sales during the quarter as against 38.4 % for the same period last year. The staff cost to net sales is 16.3% as against 17.1% for the same period last year. The depreciation / amortization are at ₹ 12.0 Crs as against ₹ 8.0 Crs for the same period last year. Research & Development expenses to net sales is 2.4% at ₹ 5.0 Crs as against 1.9% at ₹ 3.7Crs for the same period last year. Other expenses to net sales are 26.6% at ₹ 56.5 Crs and as against 26.4 % at ₹ 49.7 Crs during the same period last year.

The company is consistently improving on the EBIDTA margins and during the quarter, EBIDTA as a percentage to net sales is 20.1 % at ₹ 42.7 Crs as against 15.8% at ₹ 29.8 Crs during the same period last year. For the year to date, the EBIDTA as a percentage to net sales is 20.1 % at ₹ 127.9 Crs as against 16.4% at ₹ 87.2 Crs during the same period last year. The Operating Profit for the quarter as a percentage to net sales is 15.5% at ₹ 33.0 Crs as against 11.5% at ₹ 21.6 Crs during the same period last year. For the year to date, the Operating Profit as a percentage to net sales is 15.6% at ₹ 99.4 Crs as against 11.1% at ₹ 59.0 Crs during the same period last year.

For the quarter, the Profit before tax as a percentage to net sales is 13.2 % at ₹ 28.2 Crs as against 9.6% at ₹ 18.1 Crs for the same period last year. Profit after tax as a percentage to net sales is 10.1% at ₹ 21.6 Crs as against 7.5% at ₹ 14.1 Crs for the same period last year. Year to date, Profit before tax as a percentage to net sales is 13.6 % at ₹ 86.5 Crs as against 9.3 % at ₹ 49.5 Crs for the same period last year. Year to date, Profit after tax as a percentage to net sales is 10.1 % at ₹ 64.1 Crs as against 7.4 % at ₹ 39.3 Crs for the same period last year.

➤ **Credit Rating**

The Company's working capital facilities are rated as A1+ and long term borrowings are rated as A+ by ICRA.

A1 + rating indicate highest credit quality rating and A+ rating indicates adequate credit quality rating.

➤ **Finished Dosages**

Indian Pharma Market (IPM)

During the third quarter, IPM recorded revenues at ₹ 21597 Crs as against ₹ 19588 Crs during the same quarter last year. Top 10 therapies contributed 88.5 % of the IPM market.

Ranking in Indian Pharma Market (IPM)

Secondary Sales Audit Ranking (AWACS)

Month		MAT	
Dec'14	Dec'13	Dec'14	Dec'13
28	28	29	30

CMARC Prescription Ranking (Rxs)

Bi-Monthly Ranking	
Nov'14-Dec'14	Nov'13-Dec'13
25	24

Performance in the Covered Therapeutic Segments.

(₹ In Crs)

Therapeutic Segments	Indoco			Indoco CVM (IPM)		
	(Oct 14- Dec 14)	(Oct 13- Dec 13)	Gwth %	(Oct 14- Dec 14)	(Oct 13- Dec 13)	Gwth %
Respiratory	33	33	-0.1	436	405	7.8
Stomatologicals	28	24	16.4	87	79	10.7
Anti-Infectives	23	22	5.4	1299	1251	3.9
Gastro Intestinal	20	19	3.9	366	339	7.8
Vit./ Min. / Nutri.	9	6	48.6	731	627	16.6
Ophthal / Otologic	8	7	11.8	242	206	17.5
Urology	7	6	7.7	42	38	10.6
Anti Diabetic	6	6	2.5	673	612	9.9
Pain / Analgesics	5	4	13.2	424	387	9.5
Derma	5	5	-8.7	76	70	8.8

Source : AWACs

CVM – Covered Value Market

Indoco's Domestic Formulation Business:

During the quarter, Indoco's domestic formulation business recorded revenues of ₹ 122.8 Crs as against ₹ 114.9 Crs during the same period last year. Year to date, the domestic formulation business grew by 14.6 % at ₹ 381.8 Crs as against ₹ 333.3 Crs same period last year.

Details of few Brands which performed in double digit are given below: (₹ In Lacs)

Brand	(Oct 14-Dec 14)	(Oct 13-Dec 13)	Gwth %
Cloben G	436	393	11.1
Sensodent KF	383	343	11.8
Cital	381	336	13.4
Lignox	164	138	19.5
Cal-Aid	148	123	20.4
Kidodent	141	113	24.7
Triz	129	112	14.7
SM Fibro	100	59	70.9
Scabex	97	87	11.4
Osteochek	87	69	25.5

The company launched 3 new products in this quarter taking the tally of new introductions to 17 till December'14.

Product	Pack Size	Division	Therapy
Bactogard 100 DS	15 G/ 30ML	Spade	Anti- Infectives
LVR Forte Tablets	60'S	Spera	Gastro Intestinal
Clygan Eye Ointment	5 GMS	Excel	Ophthal / Otologicals

The unique Anti-Obesity formulation that was launched by Indoco's four Marketing Divisions, Indoco, Eterna, Spera and Indoco CND under 4 different brand names during the last month of previous quarter has crossed ₹ 2 crores within a span of just 4 months and is heading for a much bigger success as per secondary sales figures.

Doctor's acceptance of Indoco's new product introductions has been very encouraging as is obvious from the prescriptions generated by Indoco for the new products. The average per new product prescription response is at par with the average new product prescription response of leading companies in IPM, as per CMARC.

➤ **International Business**

The International formulation business during the quarter grew by 23.9 % at ₹ 76.8Cr as against ₹ 62.0 Crs during the same period last year. Year to date, the International formulation business grew by 32.2 % at ₹ 215.2 Crs as against ₹ 162.9 Crs same period last year.

Regulated Markets

The regulated market during the quarter grew by 26.7 % at ₹ 66.3 Crs as against ₹ 52.3 Crs during the same quarter last year. Year to date, the regulated market grew by 35.6% at ₹ 189.2 Crs as against ₹ 139.5 Crs

Contribution to regulated markets revenues from Europe is at 35.9 %, US at 31.7 % and South Africa, Australia & New Zealand put together is at 18.8 %.

During the quarter, the Company has commenced supplies against two approved products (ANDAs) to Watson (Actavis).

Acquisition of Allergan by our partner, Watson (Actavis) has opened the door for new opportunities for Indoco. At the same time, overlap of 4 products out of 23 products signed with Watson, throws a possible challenge of marketing & distributing these products through the existing arrangements. Since these products will be commercialized post 2020, there is no immediate impact on Sales in US through Watson (Actavis).

Emerging Markets

The emerging markets for the quarter grew by 9.0 % at ₹ 10.5 Crs as against ₹ 9.6 Crs during the same quarter last year. Year to date, the emerging markets grew by 11.5 % at ₹ 26.1 Crs as against ₹ 23.4 Crs same period last year. Kenya, Tanzania, Myanmar & Sri Lanka have registered good sales growth.

➤ **Active Pharmaceutical Ingredients (APIs)**

During the quarter, the revenues of API business grew by 15.3 % at ₹ 12.9 Crs as against ₹ 11.2 Crs during the same period last year. The domestic sales of API for the quarter grew by 18.7% at ₹ 6.4 Crs as against ₹ 5.4 Crs whereas the API export sales grew by 12.1 % at ₹ 6.5 Crs as against ₹ 5.8 Crs during the same period last year.

Year to date, the revenues of API business grew by 13.4 % at ₹ 38.8 Crs as against ₹ 34.3 Crs during the same period last year. The domestic sales of API grew by 6.9 % at

₹ 19.1 Crs as against ₹ 17.9 Crs whereas the API export sales grew by 20.4 % at ₹ 19.7 Crs as against ₹ 16.4 Crs during the same period last year.

Indoco's Patalganga API Site was audited and approved by Mexican Authority COFEPRIS for GMP Standards, which was triggered by Sanofi / Mexico.

➤ **Intellectual Property Rights (IPR)**

During the quarter, the Company filed two patent applications for Finished dosages, taking the tally of total number of patents filed to 65. Out of these, 43 pertain to API manufacturing process and 22 pertain to finished dosages.

➤ **Future Outlook**

Company's domestic business continues to focus on brand building, new product launches, concentrated efforts to increase share in chronic segment and penetration in Tier II and Tier III towns, especially in Northern and Eastern Region. Though the domestic formulations business will grow at a much higher rate than the industry average, its proportion to the total revenues will reduce over a period of time due to faster growth expected from international business.

Indoco's international business continues to focus on its core competencies, viz., Research & Development and Manufacturing. The Company will continue to remain the preferred partner, offering complete solutions to generic companies worldwide. Additionally, it will also exploit the larger opportunities through alliances in major markets.

Going forward, the US and EU business is expected to grow speedily as ANDAs and Dossiers will be commercialized at regular intervals. While surging ahead in the Regulated Markets, Indoco is also consolidating its position in the Emerging markets through active brand promotion. Part of the emerging market is exploited through distributors appointed by Indoco and the other part through alliances.

Expertise in R&D, excellence in Manufacturing and strong customer base will drive Indoco's Domestic as well as International business in the coming years.

Safe Harbour

Statements made in this Management Discussion and Analysis (MDA) describing the Company's objective, projections, estimates and expectations may be 'Forward-looking statements' within the meaning of applicable securities laws & regulations. Actual results could differ from those expressed or implied due to risks, uncertainties and inaccurate assumptions.