

## Indoco Remedies Limited

### Management Discussion & Analysis for the Third Quarter FY16

➤ **Financials**

(₹ In Lacs)

Particulars	Unaudited							Audited
	Quarter Ended				Nine Months Ended			Year Ended
	Dec'15	Sept'15	Dec'14	% Gwth	Dec'15	Dec'14	% Gwth	Mar'15
<b>Net Sales :</b>								
Domestic – Formulation	13573	13805	12285	10.5	39819	38182	4.3	50479
- API	602	764	640	(5.9)	2066	1913	8.0	2527
- CRO	13	31	-	-	63	-	-	-
<b>Total Domestic ... ( A )</b>	<b>14188</b>	<b>14600</b>	<b>12925</b>	<b>9.8</b>	<b>41948</b>	<b>40095</b>	<b>4.6</b>	<b>53006</b>
Formulation Exports :								
- Regulated Markets	9040	8234	6633	36.3	24145	18908	27.7	25155
- Emerging Markets	1390	1053	1048	32.6	3372	2615	28.9	3871
Formul. Exports Total:	10430	9287	7680	35.8	27517	21523	27.8	29026
API's Export	726	691	648	12.0	1913	1972	(3.0)	2657
CRO Export	57	124	-	-	264	-	-	-
<b>Total Export ... ( B )</b>	<b>11213</b>	<b>10102</b>	<b>8328</b>	<b>34.6</b>	<b>29694</b>	<b>23495</b>	<b>26.4</b>	<b>31683</b>
<b>Total Net Sales (A+B)</b>	<b>25401</b>	<b>24702</b>	<b>21253</b>	<b>19.5</b>	<b>71642</b>	<b>63590</b>	<b>12.7</b>	<b>84689</b>
Anacipher Analytical & Testing Income	60	65	40	50.0	183	141	29.8	201
<b>Net Revenue</b>	<b>25461</b>	<b>24767</b>	<b>21293</b>	<b>19.6</b>	<b>71825</b>	<b>63731</b>	<b>12.7</b>	<b>84890</b>
Other Operating Income	402	726	373	7.8	1871	642	191.4	474
<b>Total Income from Operation</b>	<b>25863</b>	<b>25493</b>	<b>21666</b>	<b>19.4</b>	<b>73696</b>	<b>64373</b>	<b>14.5</b>	<b>85364</b>
<b>EBIDTA</b>	<b>4314</b>	<b>4575</b>	<b>4270</b>	<b>1.0</b>	<b>13149</b>	<b>12790</b>	<b>2.8</b>	<b>16519</b>
<b>Operating Profit</b>	<b>3395</b>	<b>3717</b>	<b>3304</b>	<b>2.8</b>	<b>10307</b>	<b>9939</b>	<b>3.7</b>	<b>12941</b>
<b>Profit Before Tax</b>	<b>2528</b>	<b>2854</b>	<b>2820</b>	<b>(10.3)</b>	<b>7948</b>	<b>8654</b>	<b>(8.2)</b>	<b>10948</b>
<b>Profit After Tax</b>	<b>2042</b>	<b>2262</b>	<b>2161</b>	<b>(5.5)</b>	<b>6331</b>	<b>6406</b>	<b>(1.2)</b>	<b>8281</b>

➤ **Financial Highlights**

Net revenues of the Company during the quarter grew by 19.6 % at ₹ 254.6 Crs as against ₹ 212.9 Crs during the same period last year. For the year to date, the net revenues of the Company grew by 12.7 % at ₹ 718.2 Crs as against ₹ 637.3 Crs during the same period last year

The revenues from domestic business grew by 9.8 % at ₹ 141.9 Crs compared to ₹ 129.2 Crs during the same period last year and the revenues of international business grew by 34.6 % at ₹ 112.1 Crs as against ₹ 83.3 Crs during the same period last year. Year to date, the revenues of domestic business grew by 4.6 % at ₹ 419.5 Crs as against ₹ 400.9 Crs. during the same period last year and the revenues of international business grew by 26.4 % at ₹ 296.9 Crs as against ₹ 234.9 Crs for the same period last year.

The revenue contribution from the domestic and international business stands at 59 % and 41 % of net sales respectively.

For the quarter, material consumption is at 36.3 % of net sales as against 36.5 % for the same period last year. The staff cost to net sales is 17.8 % as against 16.3 % for the same period last year. The depreciation / amortization are at ₹ 15.2 Crs as against ₹ 12.0 Crs for the same period last year. Research & Development expenses to net sales are 3.5 % at ₹ 8.9 Crs compared to 2.4 % at ₹ 5.0 Crs for the same period last year. Other expenses to net sales are 27.1 % at ₹ 68.9 Crs as against 26.6 % at ₹ 56.5 Crs during the same period last year.

For the year to date, material consumption is at 35.8 % of net sales as against 36.1 % for the same period last year. The staff cost to net sales is 18.4 % as against 16.4 % for the same period last year. The depreciation / amortization are at ₹ 45.1 Crs as against ₹ 34.6 Crs for the same period last year. Research & Development expenses to net sales are 3.4 % at ₹ 24.3 Crs as compared to 2.2 % at ₹ 14.2 Crs for the same period last year. Other expenses to net sales are 26.8 % at ₹ 192.2 Crs as against 26.2 % at ₹ 167.2 Crs during the same period last year.

Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA) to net sales for the quarter are 16.9 % at ₹ 43.1 Crs as against 20.1 % at ₹ 42.7 Crs during the same quarter last year. For the year to date, the EBIDTA to net sales is 18.3 % at ₹ 131.5 Crs as against 20.1 % at ₹ 127.9 Crs during the same period last year.

Profit after tax (PAT) to net sales for the quarter is 8.0 % at ₹ 20.4 Crs as against 10.1 % at ₹ 21.6 Crs during the same quarter last year. Year to date, Profit after tax (PAT) to net sales is 8.8 % at ₹ 63.3 Crs as against 10.1 % at ₹ 64.1 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 AA- by ICRA.

Instruments with A1+ rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

Instruments with AA- rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

### ➤ **Finished Dosages**

#### **Indian Pharma Market (IPM)**

During the quarter, IPM recorded a growth of 14.3 % with revenues at ₹ 24978 Crs as against ₹ 21859 Crs during the same quarter last year. Top 10 therapies contributed 88.3 % of the IPM market. The five top therapeutic segments in terms of value are given below,

- ❖ Anti-infective growth at 15.0 % to ₹ 3957 Crs
- ❖ Cardiac growth at 12.9 % to ₹ 3071 Crs
- ❖ Gastro Intestinal growth at 15.3 % to ₹ 2776 Crs
- ❖ Respiratory growth at 17.8 % to ₹ 2214 Crs
- ❖ Vitamins/Minerals/Nutrients growth at 8.2 % to ₹ 2130 Crs

## Secondary Sales Audit Ranking

The Company is at rank 28<sup>th</sup> for the month of Dec'15, same as that of Dec'14. On MAT basis also, the company is at rank of 29<sup>th</sup> as on Dec'15  
(Source: AWACs)

## Indoco's Prescription Ranking (Rxs)

Nov'15 – Dec'15	Nov'14 – Dec'14
25	25

## Indoco's Domestic Formulation Business:

During the quarter, revenues from Domestic formulation business registered a growth of 10.5 % at ₹ 135.7 Crs as compared to ₹ 122.8 Crs for the same quarter last year.

For the year to date, revenues from Domestic formulation business registered a growth of 4.3 % at ₹ 398.2 Crs as against ₹ 381.8 Crs for the same period last year.

## Details of revenues from top therapies for the quarter are as follows:

(₹ In Lacs)

Therapeutic Segment	Q3FY16	Q3FY15	Gwth %
Respiratory	2725	2390	14.0
Anti-Infective	2354	1796	31.1
Stomatological	2305	2160	6.7
Gastro Intestinal	1489	1466	1.6
Pain / Analgesics	1168	967	20.8

**Details of revenues from top brands are given below:**

(₹ In Lacs)

<b>Brands</b>	<b>Q3FY16</b>	<b>Q3FY15</b>	<b>Gwth %</b>
Febrex Plus	1378	1248	10.4
Cyclopam	1102	1062	3.8
Sensodent K	802	758	5.8
Oxipod	706	434	62.6
ATM	612	528	15.9
Karvol Plus	585	506	15.6
Cital	465	381	22.0
Sensoform	453	435	4.1
Cloben G	447	436	2.5
Sensodent KF	430	383	12.3

The first signs of benefits from strategic restructuring implemented in domestic formulation business are now becoming visible. Most of the brands belonging to the new divisions have recorded an increase in prescription volume during 3rd quarter signifying positive impact of our strategic approach.

The 3rd quarter prescription data analysis indicates an increase of about 118000 prescriptions\* per month over 2nd quarter. This has been made possible by way of increase of prescription response from Consulting Physicians, ENTs, Cardiologists, Orthopedicians, Chest Specialist and Gynecologists. (\*Source: CMARC Rx data)

*New product introductions:*

This quarter the company launched 4 new products, each in Pain / Analgesics, Ophthalmic, Anti-Infectives and Vitamin/Minerals/Nutrients.

The tally of new product introductions during nine months period stands at 17, break-up of which is as follows: 5 in Pain / Analgesics, 2 in Respiratory, 2 in Ophthalmic, 2 in Stomatological, 2 in Anti-Infective, 1 each in Cardiac, Anti-Diabetic, Vitamin/Mineral/Nutrient and Gynecological.

## ➤ **International Formulation Business**

The International formulation business during the quarter grew by 35.8 % at ₹ 104.3 Crs as against ₹ 76.8 Crs during the same period last year.

Year to date, the International formulation business grew by 27.8 % at ₹ 275.2 Crs as against ₹ 215.2 Crs for the same period last year.

Europe region contributed to 35.8 % of International formulation sales, followed by US at 28.4 %, South Africa at 11.9 %, Africa at 9.6 % and rest of the world at 14.3 %.

### ***Regulated Markets***

The regulated markets during the quarter grew by 36.3 % to ₹ 90.4 Crs as against ₹ 66.3 Crs during the same quarter last year.

For the year to date, the regulated business grew by 27.7 % at ₹ 241.4 Crs as against ₹ 189.1 Crs for the same period last year.

### **US Business**

During the quarter, US business grew by 22.0 % with revenues at ₹ 29.7 Crs as against ₹ 24.3 Crs same period last year. In this quarter, three ANDAs were filed, two ophthalmic through partners and one extended release solid orals formulation on our own.

For year to date, US business has grown by 44.4 % with revenues at ₹ 78.2 Crs as against ₹ 54.1 Crs same period last year.

#### **Current Status of ANDAs:**

- ❖ 6 approvals till date (2 Own ANDAs)
- ❖ 3 tentative approvals
- ❖ 21 filed but pending approval (7 own filings)
- ❖ 49 in pipeline

### **Update on USFDA Inspections**

During the quarter, USFDA audited Company's finished dosage (Plant I) at Goa. Establishment Inspection Reports (EIRs) for the Finished Dosage Plant I, Sterile Plant II and Finished Dosage Plant III at Goa are awaited.

## **Europe Business**

During the quarter, EU business grew by 36.8 % with revenues at ₹ 37.4 Crs as against ₹ 27.3 Crs for the same period last year.

For the year to date, EU business has grown by 9.8 % with revenues at ₹ 111.5 Crs as against ₹ 101.5 Crs for the same period last year.

Company's sterile plant II successfully completed MHRA audit during the quarter which will open up new business opportunities in the area of Injectable ampoules.

## **South Africa, Australia and New Zealand Business (SA & ANZ)**

During the quarter, SA & ANZ business grew by 59.1 % with revenues at ₹ 23.3 Crs as against ₹ 14.7 Crs for the same period last year.

For the year to date, SA & ANZ business has grown by 55.1 % with revenues at ₹ 51.8 Crs as against ₹ 33.4 Crs for the same period last year.

## **Emerging Markets**

During the quarter, emerging business grew by 32.6 % with revenues at ₹ 13.9 Crs as against ₹ 10.5 Crs for the same period last year. Kenya, French West Africa, Tanzania, Botswana and Myanmar are the largest revenue contributors.

For the year to date, emerging business has grown by 28.9 % with revenues at ₹ 33.7 Crs as against ₹ 26.1 Crs for the same period last year.

### ➤ **Active Pharmaceutical Ingredients (APIs)**

During the quarter, the revenues of API business grew by 3.1 % at ₹ 13.3 Crs as against ₹ 12.9 Crs during the same period last year.

For the year to date, API business grew by 2.4 % at ₹ 39.8 Crs as against ₹ 38.8 Crs for the same period last year.

### ➤ **CRO**

During the quarter, revenues of CRO business were at ₹ 0.70 Crs. For the year to date, the CRO business recorded revenue of ₹ 3.27 Crs.

## ➤ **Intellectual Property Rights (IPR)**

Company has filed total 67 patents for the period Apr'15 to Dec'15. Out of these, 21 are for finished dosages and 46 are for API manufacturing processes.

## ➤ **Future Outlook**

Indoco is adopting newer strategies to build on its core competencies, viz., expertise in Research & Development and Manufacturing excellence.

Company's domestic business continues to focus on brand building, new product launches, thrust on chronic segment and penetration in Tier II and Tier III towns. The Company has re-structured some of its marketing divisions with addition to the field force to accelerate growth and build on its core strengths in the mass specialty segments.

Going forward, the Company's business from US and EU territory 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. Robust pipeline in multiple dosage forms accompanied with flexible business models will enable the Company to have upper edge over competitors in international business.

With the recent acquisition of a CRO, the Company is now completely integrated and will remain a preferred partner, offering complete solutions, to generic companies worldwide. Additionally, it will also exploit the larger opportunities through alliances in major markets.

Expertise in Research & Development, backward integration in API in select products, newly acquired CRO, excellence in finished dosages manufacturing and a strong customer base will ensure consistent growth both in Indoco's Domestic as well as International business.

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### **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.