

INDOCO REMEDIES LIMITED

MANAGEMENT DISCUSSION & ANALYSIS FOR THE FOURTH QUARTER FY15

➤ **Financials**

(₹ In Lacs)

Particulars	Unaudited				Audited		
	Quarter Ended				Year Ended		
	Mar'15	Dec'14	Mar'14	YoY Gw %	Mar'15	Mar'14	Gw %
Net Sales :							
Domestic – Formulation	12297	12285	10533	16.7	50479	43861	15.1
- API	614	640	488	25.8	2527	2277	11.0
Total Domestic ... (A)	12911	12925	11021	17.1	53006	46138	14.9
Formulation Exports :							
- Regulated Market	6239	6633	6098	2.3	25155	20046	25.5
- Emerging Market	1265	1047	728	73.8	3871	3066	26.3
Formul. Exports Total:	7504	7680	6826	9.9	29026	23112	25.6
API's Export :	684	648	684	0.0	2657	2323	14.4
Total Export ... (B)	8188	8328	7510	9.0	31683	25435	24.6
Total Net Sales (A+B)	21099	21253	18531	13.9	84689	71573	18.3
Analytical & Testing Income	60	40	55	9.1	201	164	22.6
Net Revenue	21159	21293	18586	13.8	84890	71737	18.3
Other Operating Income	(168)	373	(224)	-	474	1034	(54.2)
Total Income from Operation	20991	21666	18362	14.3	85364	72771	17.3
EBIDTA	3729	4269	3286	13.5	16519	12007	37.6
Operating Profit	3002	3303	2574	16.6	12941	8479	52.6
Profit Before Tax	2294	2820	2258	1.6	10948	7211	51.8
Profit After Tax	1875	2162	1855	1.1	8281	5790	43.0

➤ **Financial Highlights**

Net Revenues of the Company during the fourth quarter grew by 13.8 % at ₹ 211.6 Crs as against ₹ 185.9 Crs during the same period last year. For the year, the net revenues grew by 18.3 % at ₹ 848.9 Crs as against ₹ 717.4 Crs last year. With sales of ₹ 530.0 Crs from domestic business and ₹ 316.8 Crs from International business, the revenue contribution stands at 63 % and 37 % of the total net sales by the respective business.

The domestic business during the quarter grew by 17.1 % at ₹ 129.1 Crs as against ₹ 110.2 Crs during the same period last year and for the year, the revenues grew by 14.9 % at ₹ 530.0 Crs as against ₹ 461.4 Crs last year.

The International business during the quarter grew by 9.0% at ₹ 81.9 Crs as against ₹ 75.1 Crs during the same period last year and for the year, the revenues grew by 24.6% at ₹ 316.8 Crs as against ₹ 254.3 Crs last year.

The material consumption has marginally come down to 32.4 % of net sales during the quarter as against 33.0 % for the same period last year. The staff cost to net sales is 16.5% as against 18.6 % for the same period last year. The depreciation / amortization is at ₹ 12.5 Crs as against ₹ 7.8 Crs for the same period last year. Research & Development expenses to net sales is 3.5 % at ₹ 7.4 Crs compared to 2.2 % at ₹ 4.2 Crs for the same period last year. Other expenses to net sales are 29.2 % at ₹ 61.7 Crs as against 27.3% at ₹ 50.7 Crs during the same period last year.

For the year, the material consumption to net sales is 35.2% as against 37.5% last year. The staff cost to net sales is 16.4 % as against 18.0% last year. The depreciation / amortization are at ₹ 47.1 Crs as against ₹ 30.9 Crs last year. Research & Development expenses are ₹ 21.7 Crs which is 2.6 % of the net sales as against ₹ 14.4 Crs which is 2.0 % last year. Other expenses to net sales are 27.0% as against 27.2% last year.

Earnings before Interest, Depreciation, Tax & Amortization (EBIDTA) to net sales for the quarter is 17.6 % at ₹ 37.3 Crs as against 17.7 % at ₹ 32.9 Crs during the same quarter last year and for the year, it is 19.5 % at ₹ 165.2 Crs as against 16.7% at ₹ 120.1 Crs last year.

Profit after tax (PAT) to net sales for the quarter is 8.9 % at ₹ 18.7 Crs as against 10.0 % at ₹ 18.5 Crs during the same quarter last year. For the year, PAT is 9.8 % at ₹ 82.8 Crs as against 8.1% at ₹ 57.9 Crs last year.

➤ **Credit Rating**

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

A1+ rating indicate highest credit quality rating and AA Instruments with this 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 fourth quarter, IPM recorded a growth of 17.3% with revenues at ₹ 21,849 Crs as against ₹ 18,630 Crs during the same quarter last year. Top 10 therapies contributed 88.2 % of the IPM market.

Ranking in Indian Pharma Market (IPM)

Secondary Sales Audit Ranking (AWACS)

Month		MAT	
Mar'15	Mar'14	Mar'15	Mar'14
28	29	28	28

Company has climbed one rank up in the month of Mar'15 (Rank 28th) as compared to the month Mar'14 (Rank 29th)

CMARC Prescription Ranking (Rxs)

Nov'14 – Feb'15	Nov'13 – Feb'14
26	25

Indoco's Domestic Formulation Business:

During the quarter, Indoco's domestic formulation business recorded a growth of 16.7% with revenues of ₹ 123.0 Crs as against ₹ 105.3 Crs during the same period last year. For the year, the domestic formulation business grew by 15.1% at ₹ 504.8 Crs as against ₹ 438.6 Crs last year.

Details of therapeutic segments which performed well during the quarter are given below:

(₹ In Lacs)

Therapeutic Segment	Jan'15-	Jan'14- Mar'14	Gwth %
Stomatologicals	2245	1880	19.4
Respiratory	2231	2004	11.3
Anti-Infective	1797	1523	18.1
Pain / Analgesic	990	845	17.1
Vitamins / Min. / Nutrients	823	671	22.6
Ophthalmic / Otologicals	641	582	10.2
Dermatology	537	444	21.1

Details of few Brands which recorded a double digit growth are given below:

(₹ In Lacs)

Brands	Jan'15 – Mar'15	Jan'14 – Mar'14	Gwth %
Cyclopam	1,264	1,131	11.7
Sensodent K	811	660	22.9
Oxipod	506	424	19.3
ATM	503	439	14.6
Cital	447	396	12.9
Sensoform	438	360	21.7
Sensodent KF	405	330	22.7
Karvol Plus	362	301	20.3
Flamar	361	240	50.4
Tuspel Plus	293	231	26.8

The company launched two new products in this quarter taking the tally of new introductions to 19 during the year.

Product	Pack Size	Division	Therapy
Bactogard CV 200 Tablets, 10'S	10'S	Spade	Anti-Infective
Bactogard CV 50 DS	30ML	Spade	Anti-Infective

All the four anti-obesity brands are making in-roads into respective therapeutic categories. The outstanding features emerging out of the latest CMARC prescription analysis indicate that Obi-X brand promoted by CND division ranks at no.1 position amongst all Anti-Obesity brands prescribed by Diabetologists with 46 % R_x share. Durashape brand promoted by the Indoco division ranks at no.1 position amongst all Anti-Obesity brands prescribed by Physicians with 15% R_x share. Both, Obi-X and Durashape have surpassed the leading brands in their respective specialties. LP-Slim promoted by Eterna division ranks at No.2 position amongst all Anti-Obesity brands prescribed by Orthopedicians with 12% R_x share. Kg-Low promoted by Spera division is making rapid strides in prescription gains in the Gynecology segment.

➤ **International Formulation Business**

The International formulation business during the quarter grew by 9.9 % at ₹ 75.0 Crs as against ₹ 68.3 Crs during the same period last year. For the year, the International formulation business grew by 25.6 % at ₹ 290.3 Crs as against ₹ 231.1 Crs last year.

Regulated Markets

The regulated markets during the quarter remained flat at ₹ 62.4 Crs as against ₹ 61.0 Crs during the same quarter last year. For the year, the regulated market grew by 25.5 % at ₹ 251.6 Crs as against ₹ 200.5 Crs last year.

Contribution to regulated markets revenues from Europe is at 50.7 %, US at 26.8 % and South Africa, Australia & New Zealand put together is at 22.5 %.

Current Status of ANDAs (*Filings through Partners and on Our Own*):

- ❖ 8 products being supplied to US (Includes 4 Contract Mfg. Products)
- ❖ 18 ANDAs filed and pending approval
- ❖ 3 tentative approvals received
- ❖ 25 products under development

Emerging Markets

The emerging markets for the quarter grew by 73.8 % at ₹ 12.6 Crs as against ₹ 7.3 Crs during the same quarter last year. Kenya, Bolivia, Pakistan, Tanzania, Zambia and Myanmar are major contributors to the sales in this quarter. For the year, growth from the emerging markets was at 26.3 % at ₹ 38.7 Crs as against ₹ 30.7 Crs last year.

➤ **Active Pharmaceutical Ingredients (APIs)**

During the quarter, the revenues of API business grew by 10.8 % at ₹ 13.0 Crs as against ₹ 11.7 Crs during the same period last year. API domestic sales grew by 25.8 % at ₹ 6.1 Crs as against ₹ 4.9 Crs whereas the API exports sales remained flat at ₹ 6.8 Crs during the quarter as compared to the same quarter last year.

For the year, revenues of API business grew by 12.7 % at ₹ 51.8 Crs as against ₹ 46.0 Crs last year. API domestic sales grew by 11.0 % at ₹ 25.3 Crs as against ₹ 22.8 Crs, whereas API exports sales grew by 14.4 % at ₹ 26.6 Crs as against ₹ 23.2 Crs last year.

The Kilolab facility at Rabale was inspected by USFDA from 15th February, 2015 to 20th February, 2015 at a short notice. There was zero 483 for this inspection.

➤ **Intellectual Property Rights (IPR)**

During the quarter, the Company filed three patent applications for finished dosages and one patent application for API, taking the tally of total number of patents filed to 62. Out of these, 19 are for finished dosages and 43 are for API manufacturing processes.

The Company received the Patent Appreciation Award from Indian Drug Manufacturers Association (IDMA) for patent IN 257272 for '**Manufacturing Process of Betaxolol Hydrochloride API**'. This award was presented at IDMA's 53rd Annual Day celebrations, held in January' 15.

➤ **Clinical Research Organisation**

On 6th of April'15, Indoco Remedies acquired Piramal's Clinical Research Division (CRO) based at Hyderabad. The CRO specializes in conducting bioavailability and bioequivalence studies, bioanalytical method development and validation, sample processing and analysis, statistical analysis and reporting. The facility is equipped with a 103-bed facility, monitoring stations, phlebotomy stations, four-bed ICU, state-of-the-art analytical lab & capabilities for eCTD submission. The CRO has approvals from several bodies including USFDA and was the first CRO from India to receive certification from UK's Medicines and Healthcare products Regulatory Agency (UK-MHRA).

➤ **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.

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.

With the recent acquisition of CRO from Piramal, the Company is successfully progressing towards complete integration and faster filings of own ANDAs and Dossiers. Robust pipeline with multiple dosage forms accompanied with flexible business models will enable the Company to have upper edge over comparable competitors, in international markets.

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 part through alliances.

Expertise in Research & Development, excellence in Manufacturing, expertise in Clinical Research services and a strong customer base will ensure consistent growth both in Indoco's Domestic as well as International business.

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.