

INDOCO REMEDIES LIMITED

MANAGEMENT DISCUSSION & ANALYSIS FOR THE SECOND QUARTER FY14

➤ **Revenue figures (Stand Alone)**

(₹ in Lacs)

Particulars	Unaudited							Audited
	Quarter Ended				Half Year Ended			Year Ended
	Sept'13	Jun'13	Sept'12	Gwth%	Sept'13	Sept'12	Gwth%	Apr. 12 – Mar. 13
Net Sales :								
Domestic – Formulation	12062	9774	10959	10.1	21836	20354	7.3	39040
- API	672	578	508	32.3	1250	857	45.9	1662
Total Domestic ... (A)	12734	10352	11467	11.0	23086	21211	8.8	40702
Formulation Exports :								
- Regulated	5340	3374	4161	28.3	8712	8613	1.1	18138
- Emerging Market	854	522	446	91.5	1377	988	39.4	1951
Formulations Exports Total:	6194	3896	4607	34.4	10089	9601	5.1	20089
API's Export :	552	509	364	51.6	1061	723	46.7	1782
Total Export ... (B)	6746	4405	4971	35.7	11150	10324	8.0	21871
Total Net Sales (A + B)	19480	14757	16438	18.5	34236	31535	8.6	62573
Analytical & Testing Income	25	48	15	66.7	74	34	117.6	70
Net Revenue	19505	14805	16453	18.5	34310	31569	8.7	62643
Other Operating Income	725	593	(246)	-	1318	248	431.5	396
Total Income	20230	15398	16207	24.8	35628	31817	12.0	63039
EBIDTA	3685	2714	2613	41.0	6399	5537	15.6	10597
Operating Profit	2387	1358	1649	44.8	3745	3169	18.2	6038
Profit Before Tax	2045	1099	1344	52.2	3144	2514	25.1	4837
Profit After Tax	1604	918	1208	32.8	2522	2243	12.4	4266

➤ **Financial Highlights :**

During the second quarter ended 30th Sept.'13, the domestic business as well as international business has performed well. Domestic formulations business recorded a growth of 10.1% much above the industry average of 2.8% and International business recorded a strong growth of 35.7% over the same quarter last year. Overall, the company recorded revenue growth of 18.5 % at ₹ 195.0 Crs as against ₹ 164.5 Crs during the same period last year. Formulations business recorded a growth of 17.3% and API business recorded a growth of 40.4% over the same quarter last year.

The Indian Pharma Market (IPM) witnessed slowdown in the first half of the fiscal year (Apr-Sep 13) due to issues concerning implementation of the new pricing policy. The Pharma industry in the first quarter grew by 7.9% as against 17.0% during the same period last year and in the second quarter it grew merely by 2.8% which is the lowest growth recorded during the last few years.

Domestic Formulations business of our company grew by 10.1 % at ₹ 120.6 Crs for the quarter ended as against ₹ 109.6 Crs during the same period last year. The therapeutic segments which performed well during this quarter are Stomatologicals, Gastro-Intestinal, Pain/Analgesics, Vitamins/Minerals/Nutrients, Ophthalmic, Gynaec and Anti-Diabetics. API Domestic business recorded revenues of ₹ 6.7 Crs for the quarter as against ₹ 5.1 Crs during the same quarter last year.

International Formulation business grew by 34.4% at ₹ 61.9 Crs as against ₹ 46.1 Crs during the same period last year. Regulated Markets revenues are at ₹ 53.4 Crs as against ₹ 41.6 Crs during the same period last year and the Emerging Markets revenues are at ₹ 8.5 Crs as against ₹ 4.5 Crs during the same period last year. API Export business grew by 51.6 % at ₹ 5.5 Crs as against ₹ 3.6 Crs during the same period last year.

During the quarter, the material consumption to net sales is 38.8% at ₹ 75.7 Crs as against 41.6% at ₹ 68.5 Crs during the same period last year. The staff cost to net sales is 15.6% at ₹ 30.5 Crs as against 16.1 % at ₹ 26.4 Crs during the same period last year. The depreciation / amortization are at ₹ 7.7 Crs as against ₹ 5.9 Crs during the same period last year. Research & Development expenses are ₹ 3.8 Crs as against ₹ 3.2 Crs during the same period last year. Other expenses to net sales are 30.4% at ₹ 59.2 Crs as against 24.9% at ₹ 41.0 Crs during the same period last year.

During the quarter, the company witnessed significant improvement in EBIDTA margins. EBIDTA as a percentage to net sales is 18.9% at ₹ 36.8 Crs as against 15.9% at ₹ 26.1 Crs during the same period last year. The operating profit as a percentage to net sales is 12.2% at ₹ 23.9 Crs as against 10% at ₹ 16.5 Crs during the same period last year.

Profit before tax as a percentage to net sales is 10.5% at ₹ 20.4 Crs as against 8.2% at ₹ 13.4 Crs for the same period last year. Profit after tax as a percentage to net sales is 8.2% at ₹ 16.0 Crs as against 7.3% at ₹ 12.1 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 A+ by ICRA.

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

➤ **Finished Dosages:**

Domestic Business

The therapies which performed well during the quarter are as under:

(₹ In Lacs)

Therapy	(Jul 13- Sep 13)	(Jul 12- Sep 12)	Gwth %
Stomatologicals	2046	1874	9.2
Gastro-Intestinal	1718	1545	11.2
Pain / Analgesics	934	804	16.2
Vitamins / Minerals / Nutrients	766	557	37.5
Ophthalmic / Otologicals	647	572	13.1
Gynaec	575	507	13.4
Anti-Diabetic	461	398	15.8

The products which performed well during the quarter are as under:

(₹ In Lacs)

Product	(Jul 13- Sep 13)	(Jul 12- Sep 12)	Gwth %
Cyclopam Tab	757	662	14.4
Cital Liquid 100 Ml	334	280	19.3
Cyclopam Susp.	298	276	8.0
Cloben G - 15 Gms	338	314	7.6
Sensoform 100 Gms	273	263	3.8
Sensodent KF 100 Gms	262	246	6.5
Febrex Plus Tab 10's	529	428	23.6
MCBM 69 10's	233	167	39.5
Vepan 500 Tab 10's	224	205	9.3
Glychek-M Forte	175	137	27.7

During the quarter, the company launched seven products, details of which are as follows:

Product	Therapy
Prichek M1 Forte tablet	Anti Diabetic
Prichek M2 Forte tablet	Anti Diabetic
Senolin SF 25gm	Stomatologicals
Macuchek Forte Capsules	Ophthalmic
Tuspel LS	Respiratory
Carmicide EZ Drops	Gastro Intestinal
Carmicide EZ Syrup	Gastro Intestinal

Ranking in IPM

Secondary Sales Audit Ranking (AWACS)

Sept'13	Sept'12
28	30

CMARC Prescription Ranking (Rxs)

Mar – Jun'13	Mar – Jun'12
27	28

International Business

The International Formulations Business recorded a growth of 34.4% during the quarter with revenues at ₹ 61.9 Crs as against ₹ 46.1 Crs during the same quarter last year.

Regulated Markets:

The regulated market recorded revenues at ₹ 53.4 crores as against ₹ 41.6 crores during the same quarter last year. US, UK and South Africa regions have majorly contributed to the growth in this quarter.

Goa Plant II will be audited by EU authorities in the coming quarter which will pave the way for ophthalmic product filings and also fetch opportunities for ophthalmic contract manufacturing in all 28 countries in EU.

Emerging Markets

The emerging markets recorded revenues at ₹ 8.5 crores as against ₹ 4.5 crores during the same quarter last year. The growth drivers in this quarter are Kenya and Tanzania.

The Company is further building on its presence in African markets by increasing promotional activities at retail and Doctor's level. The dental range is also being aggressively promoted in these markets.

➤ **Active Pharmaceutical Ingredients (APIs)**

API business during the quarter recorded revenues of ₹ 12.2 Crs as against ₹ 8.7 Crs during the same quarter last year. API Domestic business revenues are at ₹ 6.7 Crs as against ₹ 5.1 Crs and API Exports business revenues are at ₹ 5.5 Crs as against ₹ 3.6 Crs during the same quarter last year.

➤ **Intellectual Property Rights**

The total number of patent applications filed as on date is 56, out of which 37 pertain to API processes and 19 pertain to finished dosages.

➤ **Future Outlook:**

With the minimum impact on account of the new pricing policy, our domestic formulation business is all set to improve its performance in the coming quarters. Focus on chronic segment, better market penetration and promotion of legacy brands will help in improvement in domestic sales as well as EBIDTA margins.

On receipt of USFDA approval, the Company will launch two ophthalmic products, marking the commencement of sales in US markets through ACTAVIS (Watson) partnership. Shipment of Indoco's own approved ANDA for solid dosages will commence in Q3FY14. The international business will record better growth rates with the ramp up of sales in Regulated markets.

In the European markets, the contract manufacturing business is being augmented with supplies/sales against own Dossiers/Marketing Authorizations (MAs) to bring sustainability and to improve the EBIDTA margins.

The API business is growing as planned and is contributing in our formulation business through backward integration in select APIs.

With strong infrastructure built over a period of time, skilled manpower and strategic alliances, the Company is poised for a higher growth, improved margins and sustainable 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, certainties and inaccurate assumptions.
