



“Indoco Remedies Limited  
Q1 FY2023 Earnings Conference Call

August 09, 2022



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**Moderator:** Good day, ladies and gentlemen and welcome to the Q1 FY2023 Earnings Conference Call of Indoco Remedies hosted by JM Financial Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Cyndrella Carvalho from JM Financial. Thank you and over to you, Madam!

**Cyndrella Carvalho:** Thanks Michelle. Good afternoon everyone. I Cyndrella Carvalho on behalf of JM Financial welcome you all on the quarter one FY2023 earnings conference call of Indoco Remedies. At the outset, I thank the management of Indoco Remedies for giving us this opportunity to host the call and I congratulate the management on delivering sustainable numbers. Today from the management team we have with us Ms. Aditi Panandikar - Managing Director, Mr. Sundeep Bambolkar - Joint Managing Director, Mr. Pramod Ghorpade – Chief Financial Officer, Mr. Vilas Nagare - Corporate Affairs and M&A. I now hand over the call to the management team for their opening remarks. Over to you Ms. Aditi!

**Aditi Panandikar:** Thank you, Cyndrella and thank you everyone for joining us this afternoon. Let me start with a couple positives we have happening at Indoco right now. I am very happy to share that last week we have gone live with SAP S4 Hana all modules at Indoco. I am very confident that SAP implemented at Indoco is going to result into higher levels of efficiency as well as help us in all our strategic pursuits. Secondly, as mentioned in the last call, in few weeks from today specifically on August 23, 2022, Indoco will complete 75 years since it was registered. It is a matter of great pride for all of us at Indoco and Indoco across all locations, all functions are engaged into various activities as well as improving sales to ensure that this is indeed a great Platinum Jubilee year for the company.

Let me now come to performance of this quarter. As you all recall, the organization had performed very well in the last financial year partly because of certain tailwinds of COVID products as well as excellent growth in international business. I am happy to share that while for India business the tailwinds of respiratory and anti-infective basket of products is not there, we have still managed to give a steady performance in business and in fact without impact of those products, India business would have grown by over 14%. Also happy to share that international business has done a great growth for the company.

So, we close the first quarter of financial year 2022-2023 with a consolidated sale of 395 Crores of which domestic contributed to 200 Crores, international business contributed



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277.3 Crores, which is 45% of the top line. In domestic market, respiratory and anti-infective as I mentioned earlier had tailwinds of COVID last year and therefore, they dented our performance. We are confident though that both these segments will recover and start performing well in the coming quarters. On the international front, the US business has grown by 40.7%. Sales in the Europe region are flat in view of some of the challenges we have servicing orders to Europe and as we take the business to other locations so that there is a higher capacity to service contract manufacturing we should get corrected.

Going forward, we anticipate an easing down in the stress that has been put on the cost of goods and a normalization of other increases in freights, etc., which have put a constraint on our EBITDA earnings. I am confident as the half year concludes and for the year forward, we shall show an improvement in our EBITDA margin, which took a hit in this quarter. For the first quarter, we have recorded an EBITDA of 71.3 Crores, which is at 18% of income and a profit after tax of 38.5 Crores, which is 9.7% of sales. That is all from me. I will now hand over to Mr. Sundeep Bambolkar to take you through financial highlights.

**Sundeep Bambolkar:**

Thank you, Aditi. Once again, good afternoon all the participants. Hope you and your family members are all safe and healthy. Let me first begin with the business highlights. Net revenues of the company grew by 3.6% at Rs.394.9 Crores. EBITDA to net sales for the quarter is at 18.1%, PAT to net sales for the quarter is at 9.7% at Rs.38.5 Crores and earnings per share for the quarter is Rs.4.17. Now on the Indian pharma industry, IPM valued at Rs.45078 Crores has registered a growth of 2.1% during the first quarter. This IPM growth of 2.1% comprises of volume growth at minus 1.8%, price growth at 5.1% along with new product growth minus 1.2%.

IPM value trend line indicates gradual normalized of the sales trend. Anti-infectives, vitamins, minerals and nutrients and respiratory are de-growing when compared to the slow growing IPM. Derma and gynecology therapy is growing at 24.1% and 25.3% respectively are driving the growth of the IPM. Indoco ranks 27th on cumulative basis that is July 2021-June 2022 with market share of 0.67% and reflects a growth of 13.5%. Considering first quarter performance, Indoco ranks 29th with market share of 0.62% and reflects a growth of minus 3.4% during the first quarter.

Domestic formulation business. Revenues from domestic formulation business for the quarter de-grew by 7% at Rs.200 Crores as against Rs.215.1 Crores. Major therapeutic segments like dermatology, ophthalmology and gastrointestinal performed well during the quarter. Now on to the international formulation front, revenues from international business registered a growth of 16.3% at Rs.177.3 Crores as against Rs.152.4 Crores.



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Revenues from regulated business for the quarter grew by 15.1% at Rs.147.7 Crores against Rs.128.3 Crores. Revenues from US business for the quarter grew by 40.7% at Rs.64.9 Crores against Rs.46.2 Crores.

Revenues from Europe for the quarter were at Rs.77.7 Crores against 79.2 Crores. South Africa, Australia, New Zealand was at 5 Crores against 2.9 Crores and emerging markets showed a growth of 22.7% at Rs.29.6 Crores against Rs.24.1 Crores. The API business of the company grew by 22% at Rs.13.3 Crores against Rs.10.9 Crores. Revenue from CRO and analytical services for the quarter was the 4.2 Crores against Rs.2.8 Crores. That is all about the business highlights for the quarter and I now request the participants for their questions. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Aditya Khemka from InCred Asset Management. Please go ahead.

**Aditya Khemka:** Thanks for the opportunity. Sundeep, Sir could you quantify the profit share that we received in Q4 in our export formulations and what is that number in Q1 FY2023?

**Sundeep Bambolkar:** Aditya, it is between 6.5 Crores and 7 Crores.

**Aditya Khemka:** This is for Q1 FY2023, Vilas, Sir.

**Vilas Nagare:** Yes.

**Aditya Khemka:** And what was the same number in Q4?

**Aditi Panandikar:** Q4 last year, I think it was around 7%, so we are roughly doing the same, Aditya.

**Aditya Khemka:** So, the question here Aditi I have is that last quarter we had some supply challenges in benzo so second half of last year, my understanding was after our conference call last quarter was that the issues were now behind us and we were supplying, so why is not the profit share number moving up?

**Aditi Panandikar:** So, as we had explained earlier, but let me do that again, when we supplied brinzolamide we supplied to Teva, which is booked as our sales and the profit share comes to us after Teva further sells it in the market, closes their quarter and a quarter after that, so it is a long kind of gestation thing, so while we had supplied brinzolamide to Teva in the last quarter, we are now in the process of regaining market share, which is expected to going to be intact but we will do it and you will see impact of that in the future quarter.



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- Aditya Khemka:** Understood, could I also get the sense of the launch of Combigan in the US market?
- Aditi Panandikar:** Yes, Aditya, we have finished doing the CRL and all documents are being logged in with the FDA, we were given to understand earlier that by September first week we would get approval, but that has gone ahead by almost a month and ten days, so it should be around October 15, 2022 that we will get the approval. The goods have already been shipped and they are with the partner's warehouse.
- Aditya Khemka:** Alright, so basically the launch now will be somewhere mid October, that is you target action rate now with the FDA?
- Aditi Panandikar:** That is the idea.
- Aditya Khemka:** I am just worried about the sequential decline that we have seen in regulated markets revenues, so I am wondering Europe obviously our commentary has been very exciting there with Baddi getting commercialized, there also we are seeing no sequential uptake I mean sequentially I am comparing the fourth quarter of last year to the first quarter of this year and same with the US despite at least supplying brinzolamide even if no profit share, the number seems to be really weak compared to fourth quarter of last year, so what is driving that, Sir?
- Sundeep Bambolkar:** No, actually there have been certain factors if you recall during the commentary of Q4 of last year, we had clearly said that we need time till September for things to settle down and then show up real good growth because we have been passing through turbulent times for availability of material, for cogs, for so many other factors, availability of containers, availability of key starting material, API, but I think in spite of all that performance has been quite commendable number one, number two coming to Europe's flat trajectory there are a number of European products, which are being site transferred to Baddi because we to make Goa free for US business, so now when you go to the authorities they say that the site needs inspection, earlier MHRA will be honored by mainland Europe and mainland Europe authorities inspection would be honored by MHRA, but now that is not the case since the exit had happened; however, for one of a very large supplies inspection is slated to be either end of October or beginning of November, so we are on a very strong wicket as far as Europe is concerned. Coming to US, we have projected of figure of 300 Crores plus for US. This is the short-term blip you are seeing and I am 100% sure that we will be meeting year end target. Because of doziofees sometimes things go up and down, but that will get steady from the second quarter onwards.



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**Aditya Khemka:** Got it, Sundeep, Sir, it makes sense. Aditi on the India business from the gross margins essentially, so have we taken the MLEM product portfolio price increases in April and on the non-MLEM portfolio have we started the process of taking price increase wherever due?

**Sundeep Bambolkar:** Yes. Aditya, I will just answer that, you know that inflation in India was pretty low 3.75% to 4%, that is for a scheduled category products, for so long we were getting hardly any price rise for that, now the government has sanction, but we cannot suddenly jump into it that is point number one, second non-MLEM products, we are allowed price rise, but however, we have to watch the competition also side by side, so these things are being watched and after a running period of 12 months, we will be doing that.

**Aditi Panandikar:** So, you may not suddenly see an impact on Y-o-Y basis this is what Sundeep was saying.

**Aditya Khemka:** That I understand for the non-MLEM because there used to be a 12 month gap between your last price modification and the current price modification, so I understand it happened over the year, so on the non-MLM portfolio if the other companies that we have spoken to seems to be suggesting they have taken the entire 10% to 11% increase that is allowed so I am just wondering because our gross margins are down by 400 basis points, right, so there clearly is the cost pressure that needs to be passed on if we are keen on maintaining margins, so I could not understand the agreement?

**Aditi Panandikar:** So, our MLEM portfolio is only 11% you know that?

**Aditya Khemka:** Yes, I do, but I am worried about 11% as we taken the price hike?

**Aditi Panandikar:** Most of our products are acute sub chronic and here it is not that easy to just increase prices, we will do it in staged manner.

**Aditya Khemka:** Understood, lastly on the growth for the India business, so obviously in the last call you mentioned there were about 40 Crores to 50 Crores one off sales in the last year driven by COVID related sales, I am just wondering and this quarter you are saying 14% growth excluding COVID related products, so I am just wondering for the full year excluding COVID we will doing mid teen high teen growth for the full year?

**Aditi Panandikar:** Yes, we will be able to do it.

**Aditya Khemka:** And that would have price increase element of 4% to 5% or lesser or more?



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**Aditi Panandikar:** Yes, above 5%. Aditya, let me just take this opportunity to share some more detail, as I said if we just take the impact of Karvol Plus ATM out, the organization would have grown at close to 14% and driving this growth are fundamentally strong brand, cyclopharm is growing at 44%, Febrex Plus at 28%, the entire ophthal portfolio is growing at 50%, dental prescription driven business is growing at 25%, so there are some very good triggers, which give me great confidence that save these kinds of blips ups and downs that will be created because of vague effect of last year India business this year we will do very well on a qualitative as well quantitative basis.

**Aditya Khemka:** That gives a lot of sense. Thank you and just before I get back into the queue, just one more question on the EBITDA margin, do we stick with our EBITDA margin commentary on Q1 improving margins versus last year, because this quarter we have seen decline EBITDA margin?

**Aditi Panandikar:** I said we had said very clearly that for the first half of this year, it will take us at least half a year to stabilize and after that you will see growth.

**Aditya Khemka:** Got it. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Jainil Shah from JM Financial. Please go ahead.

**Jainil Shah:** Thank you for the opportunity. My first question is on the domestic business, how many products have we launched in the last two to three quarters and how are they performing and any particular therapy area that we will be focusing on and you want to call that out?

**Aditi Panandikar:** So, this quarter we did not have any new launches, but last year specifically in the second half of last year, which is Q3 and Q4, we did have new product launches, the products we have launched are Moxa, which is ozenoxacin cream in the derma segment, but we are taking it to the general practitioner, dropizin syrup, which is peripherally acting cough suppressant without sedation, we have also launched subitral and Sorbitrate DS, which is itraconazole without micronized noval dosage form. I am happy to share that in the first quarter this year, we have totally clocked around 3.6 Crores sale from the launches of last year, which is 1.8% of our top line way about 0.9% kind of levels that we used to do earlier.

**Jainil Shah:** That is great and the therapy area that you are wanting to focus?



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**Aditi Panandikar:** So, we are still consolidating in the chronic space, most of our launches are going to be in a few times for chronic, respiratory which is a very, very interesting space and where we have a very big stake, as well in GI where we have big stakes.

**Jainil Shah:** That is helpful. My second question is on the US business, how should we look at this business going forward, how many AME filings are you planning in launches that we can expect in FY2023 and FY2024?

**Sundeep Bambolkar:** We file at least four ANDA's every year, four to five and this business will grow definitely it is on a very big growth path, we have certain strategic things to be implemented in the next two to three years and we have made also a five year plan, we are mainly into now the new pipeline in two complex injectables, into suspension ophthalmics and into sustain released solids, so this is the idea going forward and you will see a very good growth in US business.

**Jainil Shah:** What kind of size are we looking at maybe say three years down the line, four years down the line?

**Sundeep Bambolkar:** Current size this year we would be around 305 Crores to 310 Crores and the business would easily grow at 33% to 35% per year.

**Jainil Shah:** Okay, that is great. That is all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Dhara Patwa from Smifs Limited. Please go ahead.

**Dhara Patwa:** Thanks for the opportunity. Madam, I just wanted to ask whether we have launched Lacosamide in the US market?

**Sundeep Bambolkar:** Yes, we have launched both Lacosamide tables as well as Lacosamide injections in the US market, and in fact Indoco was the first company to launch Lacosamide injection for some months, no other company got approval at least for two to three months and now two other companies have got approval, but we are not sure whether they were launched.

**Dhara Patwa:** So, how much market share do we have in US market for this opportunity currently?

**Aditi Panandikar:** In the US, the market was \$43 million when it was before it went generic and subsequently it climbed to \$49 million and as of the market share it is a bit too early maybe we are finishing three months in this again end of August after launching, so be patient, so maybe next meeting, we will be able to give concrete numbers.





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**Dhara Patwa:** This is helpful and the second question was on the employee cost like this quarter it was 20.8 as compared to the historical levels around 18, 19, so is this is the new base or there was some one off in the employee cost in this quarter?

**Aditi Panandikar:** So, this quarter increase in employee cost is a function of increments that has been given, so to a certain extent you can expect this number to be constant; however, as the sales grow, as the percentage to sale we should correct it.

**Dhara Patwa:** So, 19, 19.5 should we assume for the subsequent quarter since increment would not be there in the subsequent quarter, right?

**Aditi Panandikar:** Yes, the same number that we have given for this quarter.

**Dhara Patwa:** Thank you and that is it.

**Moderator:** Thank you. The next question is from the line of Kunal Mehta from Vallum Capital Advisors. Please go ahead.

**Kunal Mehta:** Thank you very much for the opportunity. Firstly, I want to ask on the European side, so I think you are always very optimistic on the growth of this business, so could you tell us so this year what are the targets you have set to the European business and barring this, the process of shipping the product to other sites, what do you think of the general environment in Europe for our products?

**Sundeep Bambolkar:** The environment is fine, there was as I explained earlier one very important product which is a use supply, we want to site transfer it to Baddi where we have huge capacities and being back sizes, so that is happening by November, we will not hold that back that apart there is grown in every other product, but because this particular product seems so big that is why you are seeing a flat number, but from second quarter onwards things should improve definitely.

**Kunal Mehta:** Understood, Sir and in the last quarter I think we had announced certain capacity expansion initiatives I think there was one initiative which was announced in one line for high potency products for Europe and also there was expansion of lines in injectables sterile products as well as suspension products, so can you just give the status on the initiatives right now are they now being commissioned and what sort of outlook we have in terms of revenue from the capex activities?

**Sundeep Bambolkar:** Yes, perfect, I think you got it right, the high potency department is just about to start trial by next week and thereafter we will be the scale up and validation, so that is online,



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the new line, line 5 is coming into the plant by end of September, so that is also on track, it will take two months after that to get qualified and validated, which means by first week of December we will start the trial on that line and we are planning one more line after that, after line five settles down, so this our capex program.

**Kunal Mehta:** Sure, Sir. Can you help us understand on this high potency disease that we are trying to cater to from which it is coming and what is the nature of this contract and other details if possible something?

**Aditi Panandikar:** There are no contracts as such, these are products, which are 0.25 mg, 0.5 mg per tablet, but very high potency and the regulators are not comfortable that the company manufactures such products in general manufacturing area because of cleaning validation issues, so that is the reason we thought of this.

**Aditi Panandikar:** I can just add here that because the product cannot be made in multiproduct facilities, there are very few sites, which can make these products and that is why it is a good business to look at.

**Kunal Mehta:** So, this is an addition to what you are doing right now?

**Sundeep Bambolkar:** Yes.

**Kunal Mehta:** Just one last question, when you say that you have a target of 300 Crores for the US this year, this amount is excluding any profit share I am sure you are factoring regular dossier income but any I would say larger quantum of profit share that you are expecting or is it a part of this?

**Sundeep Bambolkar:** No, this is a normal total business including everything.

**Kunal Mehta:** So, you are also including Brinzolamide profit share?

**Sundeep Bambolkar:** Yes.

**Kunal Mehta:** Okay, Sir, sure. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Rashmi Sancheti from Dolat Capital. Please go ahead.



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**Rashmi Sancheti:** Thanks for the opportunity. So, on Europe business basically just want the clarity that the growth was flattish because of the shipping issues and you were taking some issues in taking the repeat order?

**Aditi Panandikar:** No, not repeat orders, Rashmi, as Mr. Sundeep explained there are certain orders from some geography for which if we have to transfer site to another location so the capacity freed we have to wait for the regulators approval which is why things have gone a little slow.

**Rashmi Sancheti:** So basically what we have in the site from Goa plant one we are planning to transfer that to the Baddi 3 unit, is this correct?

**Aditi Panandikar:** Yes.

**Rashmi Sancheti:** And Goa one you want to dedicate it completely for the US business?

**Aditi Panandikar:** Correct.

**Rashmi Sancheti:** But, Goa plant one we do not have US FDA clearance, right?

**Aditi Panandikar:** We have a warning letter hanging, but the clearance is very much there and current supplies are going on.

**Rashmi Sancheti:** So, on warning letter what is the current update, have you heard anything from the US FDA related to the inspection or anything?

**Aditi Panandikar:** No nothing yet.

**Rashmi Sancheti:** Now, what is the reason for transferring the site transfer from Goa to Baddi basically everything is a common there one, two packers were easing through?

**Aditi Panandikar:** No, the idea is to segregate by geography because when the regulators come down and the product mix, it is feasible to mix up or have too many products at one site, so the idea is that Goa one, two, three will be dedicated for US and Baddi will be entirely doing Europe.

**Rashmi Sancheti:** Understood and how much time it will take for this approval on the Baddi plant and when do we expect the smooth supply from Baddi to Goa?

**Aditi Panandikar:** Another quarter.



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- Rashmi Sancheti:** We should expect normalization of European phase from the second quarter onwards?
- Aditi Panandikar:** Third quarter onwards, by second quarter approval will be come in.
- Rashmi Sancheti:** Do you maintain your guidance on Europe of around 20%, which you gave last time.
- Aditi Panandikar:** Yes, we maintain.
- Rashmi Sancheti:** And US business what are the kind of launches there, how many lunches have we done in this quarter?
- Sundeep Bambolkar:** Two launches we have planned in the current quarter?
- Rashmi Sancheti:** And how many filings we have done on this quarter?
- Sundeep Bambolkar:** In this quarter we have not, in the whole year we plan to file four or five.
- Rashmi Sancheti:** And on US, basically we have installed a new line, new sterile plant, that is operational in June now, so what is the current status on that whether it is operational, whether we have started supplying from that particular plant?
- Sundeep Bambolkar:** No, that was a replacement line, the trial batches have started just now, the new line number five will come inside the plant in the end of September and that will get qualified by end of November and the trial batches on that new line will start in December.
- Rashmi Sancheti:** Correct, as you mentioned so this replacement line, which you mentioned this is also in Goa two or in Goa three?
- Aditi Panandikar:** Goa two, sterile plant.
- Rashmi Sancheti:** And the new line, which you are talking about is also in Goa two, right?
- Aditi Panandikar:** Yes.
- Rashmi Sancheti:** And what kind of filings and how may filings basically you are planning to do from this particular plant or is it that we can expect the numbers only from FY2024 onwards?
- Sundeep Bambolkar:** See, filings is a continuous process as I said it should take five filings per year, we do not want to give you details at this stage, and it is ophthal injectables or solid, so it is considering the total business that we are talking about.



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- Rashmi Sancheti:** So, in the last quarter you all mentioned that in India business it will be taking or we have taken 6% price increase across the portfolio, which includes 4% to 5% on non-MLEM and 10.72% on MLEM portfolio, so it has not taken yet and you were just saying that you are planning to take it now because of the competition you will take it in a phased manner?
- Aditi Panandikar:** That is correct.
- Rashmi Sancheti:** But, even on non-MLEM you would not be taking it, that also you will be evaluating the competition?
- Aditi Panandikar:** So, I think that we will take.
- Rashmi Sancheti:** So, in first quarter and second quarter as of now on MLEM portfolio you have not taken any kind of price increase on any part of the portfolio?
- Aditi Panandikar:** Yes, correct.
- Rashmi Sancheti:** And still you maintain that domestic business would show a growth of around, I mean it would show a growth on a high dates of FY2022 in a mid teen?
- Aditi Panandikar:** Yes, we maintain.
- Rashmi Sancheti:** And on gross margins and on EBITDA margin side when you say that we would see an improvement from the second quarter, can we expect that from the current level, the gross margin should at least improve by 100 basis points for the full year?
- Aditi Panandikar:** Yes, of course.
- Sundeep Bambolkar:** Definitely.
- Rashmi Sancheti:** And you maintain that your EBITDA margin would be in the range of 19% to 20% for FY2022?
- Aditi Panandikar:** Yes.
- Rashmi Sancheti:** Just now we announced things any risk, the cost for the freight cost or raw material cost going up, we are basically seeing softening month on month or we are still seeing some challenges on that?
- Sundeep Bambolkar:** In fact we are seeing things softening down in the last three, four weeks.



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- Rashmi Sancheti:** Thank you so much and that is it from my side.
- Moderator:** Thank you. The next question is from the line of Kunal Mehta from Vallum Capital Advisors. Please go ahead.
- Kunal Mehta:** Thank you very much for the opportunity again. Madam, I just wanted to understand what is the reason behind dealing this probably deferring this price hike in India because when we study the data and even the data for our underlying therapy or the molecule, all the players have actually have taken in the market share across a few players there have been good price increases of high single digit, but not entire 10%, but at least high single digit, so could you please help us understand what is the reason behind deferring this price increase?
- Aditi Panandikar:** If you are to speak of ICAM particularly you have to understand one thing, we have several products which feature in the top five in their own therapy segment, but possibly when it comes to anti-infectives ICAM is a very large player, they probably have a brand in a position where we can take that price rise and be comfortable with it, I am not saying we are not going to do it, we have just not take it on in the first quarter.
- Kunal Mehta:** Sure and since now August, nine days are passed and we have seen only July so can you give us an outlook on how the season for this quarter any early information that you have from the data, which you have on hand?
- Aditi Panandikar:** So, we have already closed July, sorry I am not able to discuss that, but it is very clear that at least when you look at the range, every time it range in Indoco Remedies celebration because obviously with respiratory and anti-infectives both contributing close to 40% of the top line and it is very clear that sales will pick up for both these products, but we are also seeing other segments as I said earlier which are not necessarily linked to season which are doing extremely well, if you look at our prescription growth and are climbing the price on the prescription basis, there is great positive and possibly some data which is already in public domain I can share with you for the month of July we have jumped one rank in ITM and are now 26 overtaken both in growth as well as a units sold as well as price, etc., so it is looking good for India.
- Kunal Mehta:** So, in the month of July Y-o-Y have you see prescription growth?
- Aditi Panandikar:** Yes, Y-o-Y MAT, YTD, across all doctor specialty across all products even where the primary fluctuation you will see this year because there is a lot over the counter last year in some areas, prescriptions are very much there even for ATM and Karvol Plus, our prescription levels are better than many other competitors.



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- Kunal Mehta:** Sure, Madam. Thank you very much for the data points. Thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Khemka from Incred Asset Management. Please go ahead.
- Aditya Khemka:** Okay, great. So, my question was on the softening of prices, we have heard similar commentary from other pharma companies as well where prices have come off from the peak even if normalize to pre-COVID levels, I just wanted to understand how much inventory of raw material do we generally carry and I am sure it is because of driven by COVID we could have carried higher than normal inventory, so how much time would it take for us to go from high price in the inventory consumption to lower price inventory consumption?
- Sundeep Bambolkar:** We generally carry because of COVID, we had to build up inventory, generally these days carry two months much inventory.
- Aditya Khemka:** Two months inventory?
- Sundeep Bambolkar:** Yes.
- Aditya Khemka:** And that is including raw material and packing material, Sundeep, Sir?
- Aditi Panandikar:** Yes.
- Aditya Khemka:** And secondly on the IMS data I think you guys present secondary audit data on your presentation, the source is IMS or is that AIOCD?
- Aditi Panandikar:** It is a secondary data or prescription, which one did you want to know?
- Aditya Khemka:** The brand data for the Indian business you put on?
- Aditi Panandikar:** Generally the primary, secondary whatever you call it which you get from the agency is AVAC I am sure taken not added, the prescription data is anywhere quoted would be IQBI.
- Aditya Khemka:** Alright, understood. So, what I noticed in the data was that some of your new launches are also doing phenomenally well and you said ophthalmics and some of the newer products, so could you talk about the chronic portfolio built out and then internally do you evaluate your performance, the India business performance in the acute, subchronic, chronic bucket or ophthalmic together chronic secretary and what is sort of your MR



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productivity in individual buckets and what is the upside in that MR productivity is what I wanted to understand?

**Aditi Panandikar:** I am not able to give you right now MR productivity by product basket or bucket because these products although we call them acute, subchronic and chronic we are actually spread across all our divisions except for synergy, which is the division form from CNDN focus which is a pure chronic division, almost all other divisions carry all three baskets, but I will give some more details of how these categories have performed for us, so in the first quarter this year acute actually de-grew by 24% because of respiratory and anti-infectives as we have discussed, and the subchronic basket has grown by 17% and chronic by 5% and on immediate preceding quarter basis acute is flat, subchronic has grown by more than 19% and chronic by 10%, so this is how the average PHY based on people on payroll is around 3.7.

**Aditya Khemka:** Got it, but I know it is very difficult to break into chronic given the intense competition and hence not getting power of the incumbents, but on a very small base of 5% growth in chronic seems lower than what the market will be seeing?

**Aditi Panandikar:** I am sorry, you want to complete your question?

**Aditya Khemka:** My question was there is something needs to change for our strategy?

**Aditi Panandikar:** Yes. So, what we have done Aditya we have two divisions in chronic, one is CND, which was focused on the cardiologist and the second one focus which was on endocrine and consultant division and since we are not able to make too much headway with two divisions we consciously decided in the last quarter that we would create a new division synergy from these two divisions, so what we have done now is that we have established a good specialty brand metrics in synergy and there are products like Aloja which is for skin and Telmichek which is the telmisartan which are the growth driver and other products like Glychek, which is gliclazide, Prichek which is glimepiride and Calade we are consolidating, I mean there was really no point as you said being 40th in a particular category and things like that, so from around 290 people in both these divisions we are now at around 170 with one division and consolidating, so I see this will be qualitatively a much better business, and we will be able to develop good brands.

**Aditya Khemka:** It is okay, Madam. I am saying that you have rationalized a few products and a few MR so your base would have come from the chronic side?

**Aditi Panandikar:** Correct.





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- Aditya Khemka:** And then you grow on that base that is how we should read it right?
- Aditi Panandikar:** Yes, absolutely.
- Aditya Khemka:** Got it and last question, Madam, on the India business again, so when you look at the environment where are have online pharmacy, you have Amazon entering into let us say the divisions in other markets not enough and in our market hopefully and you have some of these generic announcements being made, at Indoco what are the vulnerabilities that you have to any of these or all of these sort of changes happening in the market?
- Aditi Panandikar:** So, Aditya, possibly what is not a very great strength at Indoco becomes a huge strength when it comes to dealing with all these supply chain kind of disruptions that are happening, that is if you have legacy products with good prescription support and a very good demand attached to them there is very little that happens by way of discount, expectation because the demand is there, so we feel pretty comfortable because as of now at least the e-pharmacy and all the others have been picking up product from our own stockiest, so we are not doing anything separately with them because the demand of product is there, in fact even on Amazon one of our product features but has been put by somebody else so ask them to withdraw, so these kind of things happen and when it comes to a generic and others we are seeing this having more traction in the chronic space, so erstwhile products, brands, brands over 50 Crores very well developed with good prescription support, they are comparatively less impacted by this and also we do not have very high priced products so the generic-generic price advantage, which the customer should get it does not feature much, so compared to some other companies Indoco is in a much better place, but yes, this is an evolving kind of a landscape and we are aware and watching it.
- Aditya Khemka:** I understand. Thank you, Madam. So, we saw on the export side you mentioned freight cost as well as one of the issues in terms of being able to supply to European countries again some of these industries they are showing some cooling off in freight rates and higher availability of containers is that something you have noticed?
- Sundeep Bambolkar:** Yes, the problem started because of nonavailability of containers, simple economics you know better than me when there is a shortage, the prices shoot up and that is what happened, so manufacturing of containers was taken up on a war footing globally and today the situation is quite a lot and as a result the rates of freight have come down.
- Aditya Khemka:** Right, so my question was that from the second quarter onwards I mean from July onwards, have you seen more lag in manufacturing and dispatch or is this still a significant lag between manufacturing and dispatch?



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**Sundeep Bambolkar:** No, the lag is very, very short, the moment the batches are already they listed off go to the seaport and shift immediately.

**Aditya Khemka:** In the API bucket I think Patalganga we expanded capacity and I think we have talked about it, how do we do our external API, I understand we are consuming more and more geography, but how is our external API?

**Aditi Panandikar:** Again, I could not hear you very clearly, but I think I get a glimpse of what you are asking, so as you rightly said internal consumption is going up, but we are also now able to, you know last year we have suffered from the specific issue where our internally customer satisfaction and externally customer delivery bill clashed for time, so some of our capacity has gone wasted, this year there is very good planning and expect we will do much better, we have orders both from internal as well external customer, and we are working towards it, so I feel this year we expect good growth in API business.

**Aditya Khemka:** Understand and all the best.

**Moderator:** Thank you. The next question is from the line of Cyndrella Carvalho from JM Financial Limited. Please go ahead.

**Cyndrella Carvalho:** Thanks for the opportunity. Madam, I just wanted to understand from you, how should we understand injectable portfolio strategy, what is the thought process over there apart from the US market, you have any plans, which you could share with us right now?

**Aditi Panandikar:** So, currently for injectable business, we are concentrating only on US because in India if you want to go for injectables you must have a front end in the critical care where we do not have one, so this is an entirely new businesses thing we will have to look at, within US there are many injectables, which are in shortage, if you check FDA sites on any particular day you will see that, that is because not only are injectables very much needed and demand increases day by day, but they are difficult to make and several plants have had challenges on stability and other front, so it becomes a good niche segment to be in because if you are able to deliver product then you can garner good market share, in injectable space for Indoco we are getting into difficult to do on complex injectables, so that we do not want to get into commoditized kind of segment, I hope that answers your question.

**Cyndrella Carvalho:** Madam, if we have to understand what is the kind of capacity utilization for our US FDA approved plants as of now, if you could share any indication around that?



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**Sundeep Bambolkar:** Right now I think plant two, which is a sterile plant we are about 67% to 70% capacity utilization, plant one we have plenty of capacity, we are supplying only one product to US and plant three, our capacity is occupied right now because of European products, which we are going to transfer to Baddi and once that happens that plant will be totally free to manufacture US.

**Cyndrella Carvalho:** Thank you so much.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Sundeep Bambolkar:** I am really thankful to the participants for a very, very active call. Wish you all safe and healthy period ahead. All the best wishes to you and your family, thank you very much.

**Moderator:** Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us. You may now disconnect your lines.