



“Indoco Remedies Limited Q3 FY23 Earnings  
Conference Call”

**January 24, 2023**



**MANAGEMENT:** **MS. ADITI PANANDIKAR – MANAGING DIRECTOR,  
INDOCO REMEDIES LIMITED**  
**MR. SUNDEEP BAMBOLKAR - JOINT MANAGING  
DIRECTOR, INDOCO REMEDIES LIMITED**  
**MR. PRAMOD GHORPADE - CHIEF FINANCIAL  
OFFICER, INDOCO REMEDIES LIMITED**  
**MODERATOR:** **MS. CYNDRILLA CARVALHO - JM FINANCIAL**



*Indoco Remedies Limited  
January 24, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to Indoco Remedies Limited Q3 FY23 Earnings Conference Call hosted by JM Financial Institutional Securities 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.

**Cyndrella Carvalho:** Thanks Yashashri. Good afternoon everyone. I Cyndrella Carvalho, on behalf of JM Financial welcome you all on the Q3 FY23 Earnings Concall of Indoco Remedies. At the outset, I thank the management of Indoco Remedies for giving us this opportunity to host the call and looking forward to have an insightful interaction on the earnings with the management. 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. I now hand over the call to management for the opening remarks. Over to you, Ms. Aditi.

**Aditi Panandikar:** Good afternoon Cyndrella and thank you. Good afternoon everyone and considering that we are meeting for the first time this calendar year, here is wishing all of you a very happy and healthy 2023. Three quarters of financial year 23 are behind us. This year was always going to be very challenging for all businesses and for pharma in particular, both the head and the tailwinds of COVID have receded, geopolitical events continue to disrupt macroeconomic factors globally and in India inflation and the consequent repercussions of it are having some of the other impact on business. In these very challenging times, it becomes all the more imperative for us to focus on fundamentals.

I am happy to share good performance by India business this quarter despite Respiratory and Anti-infectives which are key segments for our business which do not contribute in Q3 and have not contributed greatly, we have still delivered 13% growth in sales. Our Subchronic segments like Stomatological, GI, Vitamins/Minerals and Nutrients have all supported us well. New introductions like Noxa, Dropizin, Subital continue to add value while Noxa maintains its position as a market leader in the Ozenoxacin segment.

In the international business, a robust growth in US and good growth in Europe on Y-o-Y basis have helped the company record a close to 18% growth in revenues for the third quarter ended December. Across Indoco, our journey of super transformation continues. Post the SAP S4 Hana implementation in the record time of 7 months, digitization and digitalization of the Indian sale function has started with the field sales officers been given Apple iPads for detailing to doctors. Since time immemorial, doctors are dependent upon medical representatives or field sales officers to stay updated on new treatment options available to them. The digital initiative will allow our sales persons to provide the most updated information to doctors as and when they



*Indoco Remedies Limited  
January 24, 2023*

need it. I am confident that our people will use this advantage to the fullest and help us garner greater market share in India for our product.

Some of you must be aware that the much-awaited FDA audit at Plant-1 was concluded a few days ago in Goa. While we have been issued nine 483s, I feel confident that our technical quality, compliance and operations team will work closely with the regulators to resolve the issues identified and further improve upon our quality management system. Recently, the senior and second tier management teams at Indoco met for a strategy conclave. I feel very confident now of delivering on the big hairy audacious goal we had set for ourselves over the next 5 years. It will indeed be a very exciting time for us and I look forward to sharing small and large success stories with you in times to come.

In the board meeting concluded this morning, an ESOP, our Employee Stock Option Plan covering several Indocoites holding key positions in middle and senior management of the company has been approved. I feel this will further motivate them to contribute their best and participate in the company's success in the years to come. This is all from me.

I now hand over to our Joint MD, Mr. Sundeep Bambolkar who will share highlights of the financial performance of the quarter with you.

**Sundeep Bambolkar:**

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 17.8% at Rs. 410.6 crores compared to Rs. 348.6 crores same quarter last year. For the 9-month period ended December 22, revenues grew by 9.8% at Rs. 1,210.10 crores as against Rs. 1,102.4 crores. EBITDA to net sales for the quarter is 15% at Rs. 61.7 crores compared to 21.1% at Rs. 73.4 crores. EBITDA for the 9-month period is 18.2% at Rs. 220.1 crores compared to 22.4% at Rs. 246.5 crores. Other operating income includes exchange fluctuation, gain/loss and export incentives. Exchange fluctuation head includes mark-to-market impact and second realized stock, unrealized exchange fluctuation. In Q3, net amount on these two components is a loss of Rs. 14.03 crores. MTM gain has reduced because of substantial swing in foreign exchange rates particular the British pound and Europe. EBITDA without other operating income for the quarter is 17.9% at Rs. 73.6 crores compared to Rs. 18.4 crores at Rs. 64.3 crores.

EBITDA for the 9-month period with other operating income is 15.8% at Rs. 191.6 crores compared to 19.8% at Rs. 218 crores. PAT to net sales for the quarter is 6.8% at Rs. 27.9 crores compared to 9.5% at Rs. 33 crores. For the 9-month period, PAT is at 9.6% at Rs. 116 crores compared to 10.4% at Rs. 114 crores. Earnings per share for the quarter is Rs. 3.03 compared to Rs. 3.58. For the 9-month period, earning per share is Rs. 12.59 compared to Rs. 12.39. We continue our super transformation journey and with the adoption of the new technology, we recently went for Ariba, the electronic platform for procurement and also introduced iPads to our sales force.



*Indoco Remedies Limited  
January 24, 2023*

Now, the Indian pharma industry, the Indian pharma market is valued at Rs. 46,840 crores and has registered a growth of 11.6% during the third quarter of FY22-23 against similar third quarter last year. During this quarter, Indoco has registered sales of Rs. 312 crores with a growth of 10.5%. On the IPM, Indoco ranks at 28th position in the third quarter with the market share of 0.67%. The source for this is AWACS, April to December 22.

Domestic formulation business, revenues from domestic formulation business for the quarter grew by 12.2% at Rs. 203.6 crores compared to Rs. 181.5 crores. Major therapeutic segments namely Cardiac, Vitamin/Mineral/Nutrients and Stomatology performed well during the quarter as compared to the previous corresponding quarter for the last financial year. For the 9-month period, revenues grew by 0.3% at Rs. 612 crores as against Rs. 610.2 crores.

On the international business front, revenues from international formulation business witnessed a growth of 30.10% at Rs. 186.10 crores compared to Rs. 143 crores for the same quarter last year. For the 9-month period ended December 22, revenues grew by 24.7% at Rs. 537.5 crores against Rs. 431 crores. Revenues from regulated markets for the quarter grew by 39.5% at Rs. 151.7 crores as against Rs. 108.7 crores for the same quarter last year. For the 9-month period ended December 22, they have grown by 28.3% at Rs. 447 crores against Rs. 348.4 crores. Revenues from US business for the quarter grew by 22.8% at Rs. 60.3 crores against Rs. 49.10 crores. For the 9-month period, revenues grew by 35.9% at Rs. 194.5 crores as against Rs. 143.10 crores. Revenues from Europe for the quarter grew by 58.5% at Rs. 86 crores as against Rs. 54 crores for the same quarter last year. For the 9-month period, revenues grew by 23.4% at Rs. 238.4 crores as against Rs. 193.10 crores.

Revenues from South Africa, Australia, and New Zealand were at Rs. 5.4 crores, flat compared to the same quarter last year. For the 9-month period, they have grown by 16.3% at Rs. 14 crores against Rs. 12.10 crores. Revenues from emerging markets for the quarter were flat at Rs. 34.4 crores. For the 9-month period, revenues grew by 9.5% at Rs. 90.5 crores against Rs. 82.6 crores. Revenue from API business is at Rs. 16.2 crores against Rs. 19.7 crores and for the 9 months' period, they are at Rs. 47.8 crores compared to Rs. 50.3 crores. Revenue from AnaCipher CRO and Indoco Analytical Solutions for the quarter grew by 6.4% at Rs. 4.6 crores against Rs. 4.4 crores and for the 9-month period, they are at 15% at Rs. 12.5 crores against Rs. 10.9 crores. That is all about the business highlights for the third quarter and I now request participants to put up their questions. Thank you.

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

**Aditya Khemka:** Aditi ma'am, can you just talk a little bit more about the big hairy audacious goals that you have set for the organization over the next 5 years and in that context, the ESOP plan, so about 3 lakh odd shares to be issued under ESOP plan, so who are the employees who are entitled for the ESOPs and if you could just lay out a few particulars in that sense?



*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:** Yes, thanks Aditya for that question. Yes, big hairy audacious goals, as I might have said in the last call towards in the ending the organization is aspiring to get to Rs. 5,000 crores topline number soon and all activities across the company from sort of broadening vision of middle management, getting their participation, even ESOP is part of that. All of those have started and we feel very confident because at Indoco today we have several verticals, all of which have many potential areas of growth and based on the strategic initiatives that are planned, I feel very confident we will be able to achieve the numbers we have set out for ourselves. Coming to the ESOP plan, more than 60 employees at the level of general manager and above across several functions and key functions like research, marketing and other important functions in the company have been identified to receive both for AVPs and above which is a very senior level of management and RSU plan for which 0.5% of the share capital has been reserved and one of our kind of the share capital has been reserved for offering ESOP plan that is to employees of GM and above. I feel very confident with this that our people will feel motivated and participate in the growth story of Indoco.

**Aditya Khemka:** So, for this Rs. 5,000 crores topline plan, the aspiration, it is over the next 5 years, so are you talking FY27, which year are you talking about?

**Aditi Panandikar:** Yes, 27-28.

**Aditya Khemka:** The second question that I have is on the export business, so I think Sundeep sir may be able to answer that. Sundeep sir, sequentially in the US business we have seen a decline in our rupee revenue whereas we were under the impression that there has been some gain in market share in Brinzolamide and there has been a launch of Combigan, so could you just throw some light as to what has happened there, exactly, why have we seen a decline in US revenues?

**Sundeep Bambolkar:** Yes, Aditya, this is nothing to do with any loss of market share. As you know, right from 18th December onwards up to 5th of January, all our frontend partners were closed for celebration of Christmas and New Year and every dispatch to regulated markets needs a documented okay from the frontend partner. So, as a result, some of our dispatches have got delayed and I think we are extremely well in control of the situation and we will bounce back in the fourth quarter.

**Aditi Panandikar:** Aditya, if I can also come in, our international business today is a composite of portfolio mix as you are aware. So, we have sales, we have milestones, we have profit share and we also have dossier income. So, as far as, the sales to US are concerned, even on a Q-o-Q basis, we are in a better stage. It is only certain milestones against other dossier income which must have not fallen at this point exactly for the earning because of which it appears like this.

**Aditya Khemka:** So, Sundeep sir, at the beginning of the year, I think the guidance that was given to us for the US revenue was roughly in the ballpark of Rs. 300 crores, if my memory serves me right and what we have been able to achieve in the first three quarters is less than Rs. 200 crores, so would



*Indoco Remedies Limited  
January 24, 2023*

you like to sort of revise the guidance here or do you still think Rs. 300 crores is a doable number?

**Sundeep Bambolkar:** Yes, we will go as close to Rs. 300 as possible, there have been some challenges, two of our approvals which was supposed to come during the year have got postponed. One of them is the modified release cardiac product that has got postponed and one more important product has got postponed. So, as a result, substantial revenues have been postponed for the next financial year, however, we are not revising the guidance given drastically downwards, but I think I am confident that we will do somewhere between Rs. 280 and Rs. 285 crores in spite of these two getting delayed.

**Aditya Khemka:** Has we launched Combigan during the third quarter, does the products sales in 3Q FY23 include revenues from Combigan?

**Sundeep Bambolkar:** We just launched it. We launched in mid to end of October.

**Aditya Khemka:** Mid to end of October, so it does include month or two revenue from Combigan sales?

**Sundeep Bambolkar:** Yes, above 6 weeks of revenue, not much.

**Aditya Khemka:** And I am assuming there is no profit share yet coming in this number from Brinzolamide?

**Sundeep Bambolkar:** No, not yet.

**Aditya Khemka:** So, Brinzolamide probably the profit share as you said in the previous calls, the profit share will fall in the fourth quarter?

**Sundeep Bambolkar:** Yes, that is likely right.

**Aditya Khemka:** And the next question I have is on the cost aspect of it, so when I look at the gross margins and I understand your gross margins gets fairly swayed by the FOREX income and FOREX loss that you report above the COGS, so even if I cull out that number, if I just look at your gross profit excluding FOREX gains, what I notice is that our FY21 gross margin excluding FOREX was actually way higher than what we have done ever in our history and since then we have been kind of on a sliding mode where the gross margins are consistently sort of coming off, I mean if I were to just give you some numbers, I am excluding your FOREX gain here, so your FY21 gross margin was about 71% excluding FOREX gains, the same number for FY22 was roughly 69.5% and that same number for FY23 in nine quarter seems to be about 68%, so from 71 to 69.5 and then to 68, so we are losing 150 bps every year for the last 2 years now, 22 and 23, what explains that and do we ever envisage going back to those margins we were doing in the 21 or was that an aberration, the 21 margin?



*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:**

Aditya, let me answer this first, may be Sundeep will add something later. One thing this time period which you talked about 21 onwards has been a very difficult period for us, everybody in the pharma industry because of the increase in the cost of goods which you are aware off, so part of the reason for margin to have been lower than earlier is that the full impact of correction in the cost of goods has not come in, one, B, if you look at the major of our business, contribution of India business to the topline over the last couple of years is lower than it was before. So, now, the international business is doing better than before and their contributions have increased, but US is yet to fire completely for us to get returns on the investments. So, this is a typical phase where probably the contract manufacturing businesses of Europe and their contribution to the whole topline which doesn't have a very great margin element attached to it. We are guessing repercussions of that. Also, like I explained before, the portfolio and the business composition you have to think of because in these two years our collections against licensing out income and milestones they have been going down primarily because we are now keeping the IP our ourselves from when we used to sell it out to other partners and collect more earlier. I feel this is better for us in the longer run, so you may not see that because that is also considered a component of sales at Indoco. So, that is the reason but coming back to how fast and by when you think we will recover, I know this quarter the entire profitability which has got impacted by the MTM losses of about Rs. 14 crores had created quite a slide in the numbers and people must have wondered what it is. So, I just looked at the YTD performance on that front and if you look at our YTD performance, if you look at the earning that has come from an exchange gain on a YTD basis, we are now equivalent because this year we have gained Rs. 24 crores as against last year 26 up to 9 months' period. You must also remember that the last year 9 month included the first half year which had very low expenditure for India business. So, quite frankly, I think it is very important for us to stay focused on fundamentals of how we grow our sales, whether any specific cost which are really operationally part of our sales, have they shot up for any reasons on a Q-o-Q basis or Y-o-Y basis, those are the areas we should look at to analyze performance. This is what I feel. Sundeep, you want to add something.

**Sundeep Bambolkar:**

I just wanted to add Aditya what we expected about the procurement side that the purchase of API and high consumption packaging material and other costly equipments has got delayed the benefits accruing out of that and we are seeing those benefits coming in just now to at the end of December beginning January, so the effect of it largely will be seen from Q4 FY23 onwards and that effect as you know the material effect of it is quite substantial, so yes, I agree with you that margins were a little downsidled, but we should be recovering from Q4 onwards.

**Aditya Khemka:**

Actually, I understand Aditi ma'am's explanation, the only cross question I have there is that I am looking at margins excluding the FOREX gain and losses, so therefore FOREX gains isn't really what impacting. Actually, as you said what is impacting is the raw material prices and the packaging cost, but what I had expected was that this year since you were taking price increases in our India portfolio, we would have gained some of the lost margins back, but that just doesn't seem to be the case that the numbers are telling me because the numbers?



*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:** Aditya, we have taken around our net-net price growth comes to somewhere between 5 and 6% for India business and like I said India business contribution to the topline this quarter in particular has been the least over the last 4 quarters.

**Moderator:** Thank you. We have the next question from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

**Sudarshan Padmanabhan:** Ma'am, can you please help us understand the other operating income in terms of your hedges, normally how much do we hedge and how does this entirely take this on a quarter-to-quarter basis?

**Sundeeep Bambolkar:** Yes, see, the hedging policy is that we hedge currencies to the extent of 55% to 60%, all the three currencies, US, Euro and GBP and our medium rate for hedging of US is 81.79, Euro is 93.09 and GBP is 105.83, so the policy is very clear and largely hedging of these three currencies have stood us in very good light so far.

**Sudarshan Padmanabhan:** And if I look at the previous quarters, the other operating income was close to Rs. 28 crores in the previous quarter, so apart from MTM what are the other elements that we book, if you can take it downstairs for the second quarter and the first quarter this year?

**Aditi Panandikar:** There is a small amount of export incentive which has started prickling in now with the ROE TPT coming back.

**Sundeeep Bambolkar:** What is called commonly as RoDTEP, that has been reinstated to the extent of 2.5%.

**Aditi Panandikar:** But it is largely exchange only.

**Sundeeep Bambolkar:** That is largely exchange only. That is why we have suffered a lot this quarter due to the MTM.

**Aditi Panandikar:** Notional actually.

**Sudarshan Padmanabhan:** Sir, I think when you are talking about gathering momentum in the next 5 years as far as the sales is concerned, one is as ma'am alluded that the US is still not optimal and there can be operating leverage on account of that, we are also seeing the extent of other costs not being as comfortable as what one would expect, so I am just not looking at say next quarter or the next couple of quarters, but assuming 3 years and 5 years now, today if you are looking at our gross margin, anywhere between 68 to 70%, which means that a large part of the cost is primarily be nongross side, so to that extent as the sales go up, say the next year and the next couple of years, can you give some color with respect to how do you see the margin trajectory say in the next few years?





*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:**

So, I may not be able to give you exact numbers on the margin expansion, let me tell you a little bit about what is happening across the organization for better efficiency which is going to result in margin improvement. Let me come to the India business first because that is still the largest single component for us which is close to 55% this quarter and in India business as you know our largest fixed cost is by way of the people and their salary. Incentives in India are of course variable and we have around 2300 people in the field. Over the last year, various initiatives taken by us which include call-to-call reporting which has improved disciplines, working and eased working of the field staff. We have as I already said just started with the digital options in field and going forward there are several initiatives lined up and several MIS we are looking at where we can factually measure performance of not just field staff, but even managers in the field. I feel confident because of this our return per man will really grow from here. For the YTD period, our PCPM for people on payroll, not the number that we should have on payroll is close to 3.9 that we have done for a very long time, however, the vacancies and people are not on payroll, they do impact our sales indirectly. So, several initiatives in the India business have been taken because of which the per man return will go up and when that happens margins on India business will also go up. Secondly, if you look at the product mix for India, if you look at the performance of the current set of products, around 50% comes from pure acute therapies, another 13% comes from pure chronic and the remaining is sub-chronic and if you look at how the growths are coming in, last year was a one-off year because acute did very well, but otherwise the fastest growing is the sub-chronic followed by chronic and then acute. Now, when this happens, your return for prescription also increases that in turn causes PCPM and all other costs gets spread, so I therefore feel that India business will get profitable in the years to come. In addition to that several initiatives are being taken to look at many of our products which have very good sort of potential with direct to customer and direct to consumer kind of potential and we are looking at various initiatives in the supply chain itself based on which I feel confident that we will be able to grow those products. Coming to international business, as we already discussed, as the contribution of US to the entire international business starts going up and coverage of operational costs happens, you will see a may be different picture. Plant-I which I spoke of earlier, we just had a US FDA audit. As you all know we were not able to supply additional products to the US from that plant for the last almost 4 years and that has meant that the highest margin business, which is the US business, pitiful, I think YTD business, we must have done only Rs. 6 crores on that site, so you can imagine. While all preparatory work to move business manufacturing and supplying to Europe to Baddi where batch sizes are much bigger, efficiency is much better, all of that is in place, but we have not executed for want of FDA to allow us to make more products. So, when all of this you look at and the fact that even when it comes to commodity manufacturing whether it is for Europe or US or the backward integration that we are doing, incidentally we won a tender on Allopurinol with Germany, probably it will come in next quarter when we talk about it, we just got cleared by New Zealand for Allopurinol tender, we are backward integrated on Allopurinol and we are also supplying Allopurinol in US, so there are good kind of collaborative consistencies that are happening across many aspects of the business and I feel very confident on account of all this, the margins will go up.



*Indoco Remedies Limited  
January 24, 2023*

**Sudarshan Padmanabhan:** And just one final question before I join back on the India business, you have been taking a lot of strides in terms of keeping our MR **(Inaudible) 33.58** the business, the division and several initiatives, with respect to prescription, are we seeing incremental prescriptions winning more towards Indoco versus what we used to do say 3 years ago?

**Aditi Panandikar:** Yes, certainly. If you look at our ranking on prescription perspective, we are ranked 28th in the industry today and growing faster than the industry on both fronts, the prescribers that is the prescription base and the number of prescriptions, so from a perspective of how many doctors write the products as well as how many products or prescriptions are given by each doctor. We have now actually reached a very important milestone of 1 million prescriptions on an annual basis and that puts us at a very high level on the generation of prescription front, of course seems much of these prescriptions are for acute, 50%. It doesn't translate into the kind of topline it should, but it is a very steady and disciplined kind of return for our legacy product. In the second quarter this year, there was a sign when Cyclopam which is such as old legacy anti-spasmodic product were growing by 60% on prescriptions. I think that is really a great achievement for our acute therapy division and when I say contribution of chronic, sub-chronic sort of almost stays the same it is simply because acute is also growing at fast on that very high base. So, the health of India business on prescription front is much better. Even our dental portfolio, which is least dependent on prescriptions for return, even there we are seeing substantial growth. So, that is the answer. I hope that satisfied you.

**Moderator:** Thank you. We have the next question from the line of Mitesh Shah from Nirmal Bang Securities. Please go ahead.

**Mitesh Shah:** My first question is regarding the EU, EU has shown strong sequential growth of around 15%, what is the major reason, you said that the US are facing some supply constraint because of the client enjoying in the holidays, what is the reason for strong growth of EU?

**Sundeep Bambolkar:** Yes, all the traditional products as well as the new products which we have introduced have shown very good demand across Europe, Germany, Spain, UK, everywhere, so that is the reason the business has shown consistent growth and I clearly remember in the first quarter, this question had come up and I had assured the analyst and fund managers that Europe will do consistently in this year and that is happening now. In fact, like Aditi mentioned earlier, all our high growth, fast moving and voluminous products we are transferring them to Baddi I and Baddi III, where batch sizes are large, there is much better control on efficiency and in all our plants, they are going in for higher automation to bring down the casual manpower. So, you will see international business profitability going up consequently.

**Mitesh Shah:** Regarding your aspirational target of Rs. 5,000 crores, can you bifurcate between the geography, how much you are expecting from the domestic or the international market and do you have factoring the competition going forward in the US market as well in these expectations?



*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:**

I will not give you an exact contribution wise thing but let us surprise you a bit. As we go forward, we will start calculating EBITDA right away based on geographies, so we will wait and you will be pleasantly surprised, I will only say that. Coming back to your question on competition in the US, today Indoco is at a point that are very good position I would say where we have a kind of business in US which is a composition of various kinds of models. So, while we sort of contract manufacture after collecting licensing out dossiers or our ANDAs, the contract manufacture for some very large pharma, we also participate by way of cost and profit share with some very big generic companies and then there are some products which we have gone on our own, although not with our frontend. So, as we balance all of this, we are somehow therefore able to better manage any kind of impact of a drop in prices in the US as of now. Added to that, a large part of our sales to US comes from the very difficult to manufacture and develop products in the sterile space, be it Injectables, be it Ophthalmics where the kind of price pressure we are looking at **(Inaudible) 39.16** has not been there simply because if you open the FDA site at any given time, I think most of the shortages are in this space, so people recognize and understand that it is not possible to expect these products to be supplied at any kind of cost plus. So, we have a very nice niche when it comes to US and as we go more and more by ourselves, more and more into models whether it is cost profit share participation or licensing out product with a certain amount to be given against marketing and eventually with some kind of a frontend, I feel our journey in US at least for the next 5 to 6 years is not threaten by some of the things that you have told us.

**Mitesh Shah:**

And book keeping questions about what is the M2M loss or gain last year the same quarter?

**Aditi Panandikar:**

Last year, same quarter, I will come back to you, but YTD basis, MTM gain last year was around Rs. 26 crores and this year on YTD basis it is 24, so it changes on Q-on-Q, so it is not exactly this quarter, of the quarter I can tell you. Last year, it was a gain of around close to Rs. 9 crores as against a loss of 12 after impacting for other operational revenues. So, totally it is an impact of Rs. 20 crores. So, totally it is an impact of Rs. 20 crores, if that is what you are asking.

**Moderator:**

Thank you. We have our next question from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

**Aejas Lakhani:**

Ma'am, my first question is the following that, Sundeep sir, you educated us that Brinzolamide when we sell through the partners, typically it is a two quarter lag and that is when we get the revenue, so the profit share from the agreements that we have, so if you could speak a little bit more on why the delay because you seem very confident in the last quarter about the Brinzolamide profit share, today from this quarter and also is it fair to assume that you now called out the US revenue at around Rs. 280 crores, so given the run rate where we are, whatever incrementals that we get say the profit share, a bulk on that say 90-95% will flow through right the bottomline, is that broad understanding correct and also as you mentioned the average rates of US, Euro and GBP earlier, if you see the fluctuations of all these currencies in the last quarter



*Indoco Remedies Limited  
January 24, 2023*

and compared to the quantum of the loss versus revenue realize, it is almost 9 to 10%, so the Rs. 13-Rs. 14 crores that you are talking about and the revenues from the regulated markets are whatever, Rs. 140 crores, it is 10% of that and the swings have not been so drastic as the quantum of this 10%, so could you please quantify all of these?

**Sundeep Bambolkar:** Yes, coming to your question specifically on the currency loss that is the MTM loss, these figures are given to us by the bankers, the mark-to-market losses, so we have very little say in it and as Aditi mentioned to you that in this quarter, last year we had a profit of Rs. 9 crores against the loss of Rs. 12 crores about this year. So, 12 plus 9, Rs. 21 crores is the impact we have had this year and that primarily happen because of the Euro and Pound, two currencies. So, that is about the MTM part and about Brinzolamide, Brinzolamide supplies have now smoothed out totally and always there is a lag while sending us the profit statement, so for the quarter ended December, the profit statement will come only by end of January or first week of February and that is when we will realize the profit share of Q3.

**Aditi Panandikar:** Another thing I may want to add which you might have missed, I explained earlier, our US business in particular comprises of commercially manufactured product sale and also of services income which includes a sale of dossiers or out-licensing income or collection of certain milestone. Now, that part of the business is actually shrunk as a percentage of total sales and this is with the correct intent because Indoco a couple of years ago was licensing out everything. Indoco today would prefer to keep the IP for ourselves. So, this is the kind of an intended kind of a shrinkage of service income which as you know is much higher margins in the commercial space, but over a period of time we will get much better returns from this portfolio.

**Aejas Lakhani:** Could you quantify what is that out-licensing income which was there last year around this time and which is absent or even the quantum which is not there?

**Aditi Panandikar:** Yes, roughly we used to do around Rs. 20 crores every quarter last year if I have not mistaken, which have come down this year, so there is definitely a gap of around Rs. 5 crores this year on YTD basis on account of income from dossier sale.

**Aejas Lakhani:** So, basically, you have chosen to retain those dossiers which otherwise you were out-licensing?

**Aditi Panandikar:** Yes, you will see that eventually coming to profits for the organization.

**Aejas Lakhani:** Ma'am, could you also quantify what is the capital employee today in the US, Europe, and India, just these three broad geographies or even if you could give it for India geographies and international geographies?

**Aditi Panandikar:** Right, so like I said earlier, much of the infra parts go towards Europe and US business. Again, we have steadily moved how and where we use our infrastructure, so the plants in Goa are now slated for use to US, so it is difficult to quantify because they were used for Europe earlier, but



*Indoco Remedies Limited  
January 24, 2023*

the Baddi plants are going to be used for Europe. The Aurangabad plant is used for emerging market, Goa, all the three sites, we want to use them only for US. Once that happens much of the issues you see today which is profitability, etc., will get corrected. So, the gross block if you want to know, Goa I, II, III together today is around Rs. 440 Cr. It is difficult to put it to any one geography because it was used much of it for Europe earlier, now it will be used in future for US and the Baddi site between them is Rs. 120 crores which will now be used for the European business. Coming to India business, we make products for ourselves as and when there is capacity available and if there is a complicated product which we should make ourselves, but otherwise we outsource manufacturing. So, our cost for India business are largely related to the fixed cost associated with the field and there as you know because of inflation and other things we have had to give recent raises every year, whether our volumes grow or not.

**Aejas Lakhani:**

And Sundeep sir didn't answer that question on the incremental profits from Brinzolamide flowing through to the profit and just wanted to add one query there that you seem very confident of this profit share and I understand that it is a complex situation with the partner and it is subject to sales, but does that confidence continue for the profit sharing to come through in 4Q or are there ifs and buts also that play out in the fourth quarter for the profit share?

**Aditi Panandikar:**

I will just maybe give some more clarification on Brinzolamide, because I think all of you are very eagerly waiting for us to succeed with that product and so are we. So, there are various volume filled strengths for Brinzolamide as a product and the largest market is with the product of filled volume which is yet to get sold in the US market, although we have supplied it. So, that is why the lag is coming in. We had some challenges here in the manufacturing plant. I don't know how many of you are aware, but a lot of ophthalmic products US FDA is now declaring them as medical devices and not as formulations simply because of the complexity of the container closure system, the complexity of manufacturing and having had of first warning letter at Plant II on those issues is felt, we are exceedingly careful when it comes to being on the compliant side and we bent backwards on account of that both Teva and us have been exceedingly over careful in supplying product to the US market. That has resulted in a delay in supply of a particular strength and that is why when you look at Brinzolamide, you look at the whole market, when we say the supply and sale has started, it is actually in the smaller market. So, the real returns are yet to come from both sale as well as margin.

**Sundeep Bambolkar:**

There is another point which I would like to bring to your attention, there was another product in partnership with Teva which was due to be launched in the month of November end and that got delayed.

**Aejas Lakhani:**

Sir, you are talking about Combigan only, right sir?

**Sundeep Bambolkar:**

No, not Combigan, we haven't given out the name of that product, as that got delayed, so the milestone attached to that product should have easily come in before 31st December of about Rs. 10 crores that has got delayed into April. So, these are dynamic factors which are beyond



*Indoco Remedies Limited*  
*January 24, 2023*

our control, but we would like to assure this treat that we are firmly in control of the situation as far as the business is concerned.

**Aejas Lakhani:** And sir, could you respond to the incremental profits flowing through to the EBITDA line?

**Sundeep Bambolkar:** For Combigan?

**Aejas Lakhani:** No, on Brinzolamide which you are expecting in the fourth quarter the deferral that happened?

**Aditi Panandikar:** We will wait for that to happen. As you might have seen, our past commitment might have put us in a position today where a kind of a delay in approving those may look like an inefficiency for the organization, which is beyond our control really, many external factors, so you will be the first one we will share with the moment it starts happening. We keep our finger crossed for the next quarter.

**Aejas Lakhani:** And the 20% guidance on EBITDA sales?

**Aditi Panandikar:** We are right now, I think, I am very confused with the with and without operating income, but looks to me like this quarter without the other operating income impact standalone this quarter may be close to 18% and standalone last year for the same quarter we did 18.5%. So, actually, we are now leveled if you ask me. What would have seen like 21% last year was actually 18.4 without the other operating, so if you say consistency of performance, we are already delivering what we did last year, but we hope to further improve it. The last quarter is generally a big one for both India business as well as emerging markets, both are very high margin businesses for us. Let us see if we can improve this. We will definitely, we can.

**Sundeep Bambolkar:** And if you remember during the first quarter this year itself, we had said that we will try and protect the EBITDA. Our words were very clear, of course you are trying to improve it further, but definitely we will do as good as what we did last year.

**Moderator:** Thank you. We have our next question from the line of Rashmi Sancheti from Dolat Capital. Please go ahead.

**Rashmi Sancheti:** One question on Europe, since the German tender for Allopurinol has already got over in December month, how do we see growth for FY24 and FY25, are we going to get renewal of the contracts, if yes, what could be the size and what could be the sales that we could generate for next few years?

**Sundeep Bambolkar:** Rashmi, it is this way that currently we are still supplying right into January 23. The supplies are for the old contract and we have just got news in December that we have won the contracts again for another 2 years to the extent of 90.5% of the total market. So, that being the case, about Rs. 65 to Rs. 70 crores would be the value of Allopurinol Germany per year for the next 2 years.



*Indoco Remedies Limited  
January 24, 2023*

- Rashmi Sancheti:** And apart from this any other tenders that are on the verge of getting renewable this year?
- Sundeep Bambolkar:** We have applied for two more products, but there is no guarantee that we will win it. We are, however, very optimistic because of our backward integration. The APIs are also manufactured by Indoco and that is the reason for our optimism.
- Rashmi Sancheti:** So, then how do we see the growth from year on, do you think that we would still continue with that 20% sort of growth in 24 and 25 also?
- Aditi Panandikar:** Yes Rashmi, we are very confident of 20% growth for Europe business, in fact, we are controlling some aspects of what we do for Europe which are on the lowest margin side possibly a product like Paracetamol, but like Sundeep explained earlier, by moving it to a site, the batch size has become three times the earlier batch size in Goa and there is a much better control on overheads, etc. I think even that product will do better than it did last year, so various initiatives are being looked at as we prepare for next year's budget and I could assure you that 20% is done thing for Europe to grow.
- Rashmi Sancheti:** In FY23, YTD till now, we have not booked any profit share from Brinzolamide?
- Aditi Panandikar:** That is true.
- Rashmi Sancheti:** So, you are saying that the entire profit share would come in quarter 4?
- Aditi Panandikar:** Based on the sales, I explained earlier that there is one particular strength of filled volume which has gone from our side or is going just now and which will be further sold, so I think when you look at the market share of Brinzolamide of Teva etc., you are looking at the whole market, just to tell you that there has been some delay on account of a caution from our and Teva's side based on certain happenings with the container closure system and it has not just impacted us, it has impacted many people in this industry. So, there has been a delay, that is for sure and we expect profit shares to come in as and when the sales happen.
- Rashmi Sancheti:** And ma'am, on Combigan, I mean sales would incur in quarter 4, so I understand that, but the profit share from Combigan would only come in FY24, that is what you are?
- Aditi Panandikar:** Correct.
- Sundeep Bambolkar:** Perfect.
- Rashmi Sancheti:** So, there is a lag of one quarter for that particular product or it is like again two quarters or three quarters lag?



*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:** So, like I said, it all depends on how much they sell per quarter, so our transfer is not their sale. It has to further be sold by them after which the discounts, everything happens when the profit share gets calculated, then it comes back to us. We will share it with you as and when it happens. We will be most happy to.

**Moderator:** Thank you. We have our next question from the line of Punit Mittal from Global Core Capital HK Limited. Please go ahead.

**Punit Mittal:** My first question is with regards to the aspirational target of Rs. 5,000 crores, what would be the CAPEX required for that kind of topline and what are your internal ROCE targets for these CAPEX?

**Aditi Panandikar:** Yes, that is a very good question and very interesting one. Already at Indoco, several initiatives have been started to increase capacity at various plants. As you know, today we have 8 manufacturing sites of which 5 has US FDA approval and while there are several solid oral sites for the company, there is only one sterile unit. So, there are couple of things happening here, one, we are increasing capacity at that site by adding additional packing lines which is not going to be a very big CAPEX, but it will be a substantial one or the same and in addition to that the company is definitely having on the drawing board, a second site for sterile and we are very confident that these investments will have a good breakeven in the years to come. So, they are being planned. As I said earlier, the lower margin manufacturing of solid orals to Europe on contracts which is one of the smallest, which still continues to be a substantial business for us. That business is being moved to the Baddi site, so that more capacity at Goa is freed for US. I don't expect to add any capacity further for European business, but definitely for US as and when there is a need we may expand. This is the plan and most of this will happen over the next 3 to 4 years. So, it is not going to be a sudden shock in one year for the company.

**Punit Mittal:** But can you actually it will be very helpful if you can quantify in the sense that currently if we see that the gross block turnover is about just over one, now actually some of the plant's capacities are not utilized, so you will ramp up those things and then and optimize those plants, but what would be the CAPEX requirement and second, again what are your, I am sure you must have ROCE targets on these CAPEX, what are those targets?

**Aditi Panandikar:** Ideally with the US business kicking in, we expect to do much better on return on capital over a period of time. Roughly, looking at the kind of investments we made in the past and are understanding of what is needed for the future, I think one can expect an investment of close to Rs. 300 crores to happen further to support the increased share coming from US. Today, our ROCE is at 13 and I think we will be able to rest that anywhere between 10-10.5% at the point where we do Rs. 5,000 crores.

**Moderator:** Thank you. We move onto the next question from the line of Aditya Khemka from Incred Asset Management. Please go ahead.





*Indoco Remedies Limited  
January 24, 2023*

- Aditya Khemka:** Aditi ma'am, you said ROCE will be how much by the time you achieve Rs. 5,000, I missed that number?
- Aditi Panandikar:** Today, it is around 13 and we can go up to 15%.
- Aditya Khemka:** And you said, what was the total gross block in the three Goa plants put together?
- Aditi Panandikar:** Around 440.
- Aditya Khemka:** Around Rs. 440 crores and if it is all dedicated to the US, then your revenue in US this year is going to be ballpark 300, so your asset around the US is like 0.7x at this point in time?
- Aditi Panandikar:** Because today it is not entirely for US.
- Aditya Khemka:** I know that, but once we shift the production for Europe to Baddi, then this is what we are left with?
- Sundeep Bambolkar:** Aditya, as for coming year, Plant I for example is supplying only Glimepiride tablets to the US.
- Aditi Panandikar:** Eventually that full capacity of Plant I is available for US.
- Aditya Khemka:** Yes, I get that, what I was getting to is that whatever revenue you make from Goa plant, you will shift that revenue to Baddi because Baddi has that incremental capacity which you can use to cater to the European market, so the long-term plan is that fall of the Goa I, II, III?
- Aditi Panandikar:** Correct, so it is mostly going to be increased in sterile manufacturing capacity. Solid oral we are not going to need.
- Aditya Khemka:** So, that is what my question was, so if in oral solids, just say your revenue today is X, in your current capacity what revenue can you do in the US for oral solids through the Goa existing infrastructure?
- Aditi Panandikar:** Total revenue from at the gross block if you go at 15% today would work to I think Rs. 1,500 crores.
- Aditya Khemka:** Rs. 1,500 and that is including oral solids and sterile from Goa?
- Aditi Panandikar:** Yes.
- Aditya Khemka:** So, till the time you reach 1,500 in your US sales, till that point in time, Goa other than the few packing lines wouldn't need any material CAPEX?



*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:** Kind of, yes. Possibly, a little bit in sterile because it takes time to build the plant, then get it approved, so we may not wait to lose opportunity.

**Aditya Khemka:** That make sense, secondly on the comment that you made that now US FDA is looking at Ophthalmics as a medical device due to the obviously the process of making the product and the dispensing of the product through the containers, does that change the approval pathway for how FDA treats Ophthalmic ANDAs, does it make it tougher, easier, could you just comment on that?

**Aditi Panandikar:** Yes, so Aditya, fortunately, for us at Indoco because our first brush with FDA of a not so favorable kind happened on Latanoprost packing material issue. So, at Indoco is part of remediation action it felt we had got to the level of compliance and sort of creating dossiers for the packing materials etc as per US FDA expectation. So, what we are seeing now is whatever we were doing has now become a requirement, so we are well sort of qualified in that manner. We will not need to do much more. We already have worked done on almost all our ophthalmic products on the container closure system because we had issues with them. So, that is alright and I don't expect, actually this is favorable for manufacturers like us because every time a container closure system manufacturer would make small changes in his material of construction or his mold and not reported to FDA or to us, it directly or indirectly impacted our product quality. So, now, we will have to do it through a regulatory pathway, so we say protected actually as consequence of this.

**Aditya Khemka:** Just one last question if I may, on the India business, so this year I think now Aditi ma'am, your budget would be what around 800-810 for FY23 on the India business?

**Aditi Panandikar:** We are already at 613 Aditya and we have been consistently doing more than 200. In fact, our third quarter, we have done 203 which is almost equivalent to what we did in the second quarter which we never do and looking at the changing product mix there is no reason why we cannot still go after close to 830.

**Aditya Khemka:** 830, so your fourth quarter you are saying which is generally seasonally the worst quarter for you, you are saying that fourth quarter could actually be?

**Aditi Panandikar:** Yes, because the product seasonality has come down at contribution to the wholesale.

**Aditya Khemka:** So, you are saying you can do to Rs. 20 crores in the fourth quarter fiscally?

**Aditi Panandikar:** Yes.

**Aditya Khemka:** And that is going to be source of a sustainable change in the way you do India business because these product introductions that we are doing are not one-off introductions, these are sustainable product streams?



*Indoco Remedies Limited  
January 24, 2023*

- Aditi Panandikar:** Correct.
- Aditya Khemka:** And for FY24 ma'am, given that you are not expanding field force, what sort of growth in India business?
- Aditi Panandikar:** So, Aditya, we will talk about it when the time comes, but surely as part of this big aspiration, you will have to agree that all 5,000 is not going to where we have to 5,000 India will not stay 800, I hope you agree with that and contribution of India business may not stay at 50%, but will definitely go up, so there are plans of some kind of restructuring, there are plans of looking at as I said direct to customer and there are plans of using these changed models in supply chain to our advantage, so you will see lot of change in the way India business operates and I am very confident we will do it.
- Aditya Khemka:** Just to check what you said, so you said when we reach 5,000 eventually, India business will be more than 50% of the topline, is it?
- Aditi Panandikar:** No, I didn't say that. I said that it will not stay 800.
- Aditya Khemka:** But what would the mix be like between exports and India?
- Aditi Panandikar:** That is like I said let me surprise you. Safe to say that we will ensure that even if India business does not contribute 50% of topline, the other business contributing largely to the topline which will be US, we will deliver on similar margins as India or more.
- Moderator:** Thank you. We have our next question from the line of Megh Shah from Prospero Tree. Please go ahead.
- Megh Shah:** I just have simple question, about the inspection that was conducted in the Goa plant, so what is the status as of now and how would it impact on the supplies and revenues from that facility?
- Aditi Panandikar:** This was an inspection for a site which we were actually waiting for the auditors to come in. Current supplies to US from the site is very small, YTD basis we must have done around Rs. 6 crores from that site, so dependence on that site for US is not very high. Also, even if we had a warning letter earlier on this site, there was no stoppage of manufacturing supply from that site, so as regard with the audit or any sort of outcomes of the audit, it is not going to change in any way the current supply to US. What we are actually hoping is, once we are able to resolve this, we will be able to get more approvals in the future and that is what we are hoping for.
- Moderator:** Thank you. We have our next question from the line of Vishal Manchanda from Systematix. Please go ahead.
- Vishal Manchanda:** Ma'am, are we expecting an inspection on Unit-II sterile facility anytime now?



*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:** So, typically, they come every 2 years and from that aspect because of COVID they have not come in, so we should expect it. Also, within Plant II, there is a Plant III in the same FEI number where we have certain packs and prior approvals, so we are expecting them to come for that. So, they would come in, I guess, it is part and parcel of our business now.

**Vishal Manchanda:** But how did we ensure, because sterile is a much more important facility for us in terms of growth and existing revenues, so like we have received 9 observations at Unit-I and how do we ensure we come out clear for Unit-II and Unit-III?

**Aditi Panandikar:** I think it is best on such calls to not give any assurance that we will come out clear or not, but I can tell you one thing that the way we work at Indoco now because of the learning of the past is that there is a lot of overarching done, so whatever improvement issues must have come up on Plant I as part of these 9 observations, they are ruled out to all our sites. So, I don't expect any of those points to again come up at the other site when they are walking. So, that is how it happens. Also, our quality management system we have been really improving it over the last 5 years. So, consequence of that, it is not that you will not get observations, but I think what the auditors will be looking for is to see whether the current quality management system is robust enough, so that you internally understand whenever there is a glitch and then you attain to it. So, the number of SAR we file, the number of recall you do, all of that is an expression of a good quality management system. So, I feel confident that we are better able to manage quality than before, all the same when the auditors walk in. If there are any improvement issues, I am sure we will have observations. We should not be afraid of it.

**Vishal Manchanda:** And we did not see any product recalls in the US in the last one year?

**Aditi Panandikar:** There are on and off, all you have to do is Google us and you will see how many recalls. Recalls as I said don't always happen because we have done anything wrong, they also happen because the container closure system manufacturer defaulted or something happened to a material that went into making the product or leaching issue in the color of the ink used on the label, so we learn as we go and I think we know and FDA also understands that manufacturing of sterile is a very difficult job.

**Vishal Manchanda:** And on Brinzolamide, have we completely sorted in terms of the challenges we had witnessed in the past?

**Aditi Panandikar:** Yes.

**Vishal Manchanda:** So, supplies should continue normally?

**Aditi Panandikar:** Yes.



*Indoco Remedies Limited  
January 24, 2023*

- Vishal Manchanda:** And any color on the new approval that we have seen in the US in partnership with Teva in terms of the size of the opportunity in the competition in that product?
- Aditi Panandikar:** I am not comfortable speaking about it yet, because it is part of our agreement of non-disclosure.
- Vishal Manchanda:** And just one final one, on Brinzolamide for the profit share to come in, is there a cumulative sales benchmark that has been send like profit share shall approve only after certain cumulative sales will be realized?
- Aditi Panandikar:** No.
- Moderator:** Thank you. We have our next question from the line of Yogesh Tiwari from Arihant Capital Markets. Please go ahead.
- Yogesh Tiwari:** My first question is, if you can share some details regarding the pending approvals if any at the Goa plant and the Baddi plant?
- Aditi Panandikar:** Baddi is supplying to Europe just now and we are shifting lot of products from Goa there. So, we are aware of what is pending, may be one-off product in a particular European geography, especially Post-Brexit because you now have to have separate approval authorities coming in. Those kind of decisions might be pending but coming back to Goa on pending approvals from Plant I we have several products filed from Plant I in the past which will go off patent after 2026, 27, 28 in that time period and I am confident by then we will resolve issues of Plant-I for US. So, we will get our approvals in time. Currently, there is a product which we might have lost out on time. That I don't mind sharing with you, it is pregabalin capsules which are already off patent and had FDA cleared us 2 years ago before COVID. We might have been supplying that. So, that is the kind of opportunity we must have lost. Other than that from the other plant which is the sterile unit, there are already, let me just come back with the number exactly. We have in total today around 25 products pending approval of which total this is across all our sites, for US ANDAs where 10 are our own and they are a mix of both, sterile as well as solid orals.
- Yogesh Tiwari:** And just one last question, so it is like we had a very good European business and we also supply Paracetamol in UK, so just wanted to understand there has been a lot of noise around the Paracetamol in this quarter, so how is the current demand for this drug as of now in UK?
- Sundeep Bambolkar:** Current demand you are asking about?
- Yogesh Tiwari:** Yes, sir?
- Sundeep Bambolkar:** I think demand is consistent.



*Indoco Remedies Limited  
January 24, 2023*

**Aditi Panandikar:** They have all have certain time, I think post COVID when there was a lot of supply and then stocking, but I think all of that is behind us and we have an excellent relationship with Perrigo we make this, largest partner we make it for where the proper 6 months rolling plan is with us. I don't see any concerns there. When I discussed a lot of Paracetamol, it is simply to say that possibly going forward we would like to make less of it if capacity issues come up at Baddi.

**Yogesh Tiwari:** Just wanted to understand like there is use of shortages of Paracetamol in UK and France for this quarter, so is that still the situation remains the same?

**Aditi Panandikar:** I think our partners take care of it. That is how our logistic planning works. So, when we supply the stock and that is how both earlier Galpharm which is now Perrigo, but they acquired them and manage to get such a high market share. It is because of the partnership and a good relationship and good working of inventory planning between both of us. So, the logistics are taken care of. We have any given time of 6 months sort of knowledge of 6-month orders which we need and there is consistent supply and I don't see any problem. Let me just check. I think we are okay.

**Subdeep Bambolkar:** Yes, there is no problem.

**Moderator:** Thank you. We have our last question from the line of Sajal Kapoor, an Individual Investor. Please go ahead.

**Sajal Kapoor:** Aditi ma'am, question on our CRO capacity ramp up which I think is currently in progress and when does it complete and how much external sales can we generate from this?

**Aditi Panandikar:** The expansion is actually completed. We have added 48 beds to our earlier capacity of 98 odd, so we are close to 150 beds now and that allows us to do many more studies and given that 60% of the entire capacity, the old capacity of 98 beds we were consuming. We now feel more confident to be able to generate more revenues from this business because we will be able to attend to more external customer.

**Sajal Kapoor:** And one clarification on this, ROCE question couple of participants earlier have asked, but I am not too sure if I am getting the right handle on this because your response was slightly confusing even to Aditya, you said that from 13% we will go to 15% when we get to that aspirational target of Rs. 5,000 crores and in my calculation today says that you are currently above 30% ROCE as on fiscal 22, so last fiscal, if I do the total gross?

**Aditi Panandikar:** No, ROCE as on 31/12 is 13 and same time last year it was 15.

**Sajal Kapoor:** Alright, so I was looking at the standalone.

**Aditi Panandikar:** Yes.



*Indoco Remedies Limited  
January 24, 2023*

- Sajal Kapoor:** So, from 13% after all the operating leverage and everything has been taken care of, we aim to go to 15, is that correct?
- Aditi Panandikar:** Yes.
- Sajal Kapoor:** But ma'am, that is way below the industry standard right, we are not in a commodity business, we are branded formulations right with backward integration into APIs?
- Aditi Panandikar:** I don't know which, it is difficult to find parity at industry level on such parameters, but if I understand correctly, roughly today 11.9% close to 12% is what industry overall does unless you are purely in India business where infrastructure investment is not there.
- Sajal Kapoor:** And would you be open to disclose your India business operational metrics and outside India separately as a line item?
- Aditi Panandikar:** We don't do that, no.
- Sajal Kapoor:** Yes, currently, you don't do that, but in future would you be open to that because our India business is at a completely different ROE, ROCE, like just about any other player?
- Aditi Panandikar:** Yes, so unless we carve it out and any kind of separate business, I don't see any reason for us to do that.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for closing comments.
- Aditi Panandikar:** Thank you everybody for a very interactive and interesting 1 hour 20 minutes, I think the longest call we have had for a very long time. Once again, wishing all of you a very Happy New Year and looking forward to many more interactions in the future. Thank you.
- Moderator:** Thank you. On behalf of JM Financial Institutional Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.