



**“Indoco Remedies Limited
Q4 FY2022 Earnings Conference Call”**

May 17, 2022



ANALYST:

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MANAGEMENT:

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MR. VILAS NAGARE– CORPORATE AFFAIRS AND
M&A – INDOCO REMEDIES LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2022 earnings conference call of Indoco Remedies hosted by Centrum Broking 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. Arundhati Kursange from Centrum Broking. Thank you and over to you Madam!

Arundhati Kursange: Good afternoon, everyone. I, Arundhati Kursange from the Corporate Access Team welcome you on behalf of Centrum Broking on Q4 earnings con call of Indoco Remedies Limited.

At the outset, I thank the management of Indoco Remedies for giving us this opportunity to host the earnings call.

From the management today, we have with us Ms. Aditi Panandikar - Managing Director, Mr. Sundeep Bambolkar - Joint Managing Director, Mr. Pramod Ghorpade – CFO; 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 Panandikar – Managing Director!

Aditi Panandikar: Thank you Arundhati and thank you everyone for joining us. Today we are happy to report that for Indoco Q4 and the year 2021-2022 has been highly successful. For the quarter, we have reported an impressive sales growth of 35.8% and for the year the sales growth is at 23.4%. Our earnings per share have gone up significantly by 67% from Rs. 10.03 per share to Rs. 16.77 per share. This performance is exceptional especially on the backdrop of supply chain disruption rising input cost and worrying inflation. What has helped us register this portable growth is the diversified business portfolio and market presence across geographies. In the domestic business, we have grown by 38.5% for the quarter and by 29.7% for the year keeping the growth momentum consistent throughout the year. As a result, a ranking in the IPN has improved.

We will now focus on improving our market share and shall register high growth numbers in our covered market. Our strategy is shaping well with new product launches and a robust pipeline. In this quarter may receive three ANDA approval including Lacosamide tablet which we got on the day of patent expiry and Lacosamide injection for which we were the first generic and many of you might be aware Indoco will be completing 75 years of existence on 23 August, 2022 and in this milestone year, Indoco are fully charged to enter a new orbit and benchmark is the best in the industry. At Indoco we are currently undergoing a super transformational journey in IP as we implement S4/HANA data



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management, document management systems, Alibaba, etc., I am confident that going forward we will continue to extend this play consistent performances irrespective of the challenges in front of us.

That is all from me for now I will answer your specific questions and now turn the call over to Mr. Sandeep Bambolkar to give you the financial details on Q4 and the full year.

Sandeep Bambolkar: Thank you Aditi. 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 by the company grew by 35.8% at Rs.400.3 Crores compared to 12% at Rs.294.8 Crores for the same quarter last year. For the year ended revenues grew by 23.4% at Rs. 1,502.7 Crores as against Rs. 1217.4 Crores. EBITDA to net sales for the quarter is 20.1% at Rs.80.59 Crores compared to 18.5% at Rs. 54.6 Crores. EBITDA to net sales for the year is at 21.8% at Rs.327 Crores compared to 18.4% at Rs. 223.6 Crores. Profit after tax net sales for the quarter is 10.1% at Rs.40.4 Crores compared to 8.4% at Rs.24.9 Crores. PAT to net sales for the year ended is 10.3% at Rs.154.5 Crores compared to 7.6% at Rs.92.4 Crores as of last year.

Domestic formulation business, revenues from domestic formulations business for the quarter grew by 38.5% at Rs.192.9 Crores as against Rs.139.2 Crores for the same quarter last year. Major therapeutic segment mainly respiratory, cardiac and unseparated factors did well during the quarter. For the year, revenues grew by 29.7% at Rs. 803.1 Crores as against Rs. 619 Crores. During the quarter two new products were launched namely Subitral 50 mg capsule and Subitral DS 100 mg capsule, the molecule is Itraconazole under Dermatology segment. The total number of new products stands at 6 for the year.

Now on the international business front, revenues from international business register a growth of 43.8% at Rs.189.5 Crores as against Rs.131.8 Crores for the same quarter last year. For the year, revenues grew by 26% at Rs.620.5 Crores as against Rs.492.3 Crores. Revenues from regulated market for the quarter grew by 47.6% at Rs. 155.2 Crores as against Rs. 105.1 Crores. For the year, revenues grew by 25.9% at Rs. 503 Crores as against Rs. 399.8 Crores. Revenues from US business for the quarter grew by 110.3% at Rs. 69.6 Crores as against Rs. 33.1 Crores for the same quarter last year. For the year revenues grew by 43.5% at Rs. 212.7 Crores as against Rs. 148.2 Crores. Revenues from Europe for the quarter grew by 14.7% at Rs. 79.9 Crores as against Rs. 69.5 Crores and for the year revenues grew by 14% at Rs. 272.8 Crores against Rs. 239.4 Crores. Revenues from South Africa, Australia, New Zealand for the quarter were at 5.9 Crores against Rs. 2.5 Crores for the same quarter last year and for the year, it was Rs. 18 Crores against Rs. 12.2 Crores. Revenues from



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emerging markets for the quarter grew by 28.7% at Rs. 34.3 Crores as against Rs. 26.7 Crores for the same quarter last year and for the year, revenues grew by 26.4% at Rs. 117 Crores against Rs. 92.5 Crores. Revenues from API business for the quarter were at Rs. 13.1 Crores against Rs. 19 Crores for the same quarter last year and for the year ended March 2022, API business recorded sales of 63.4 Crores against Rs. 94 Crores. This is mainly due to higher captive consumption approximately 54% of total sales. Revenues from CRO and analytical services for the quarter were at 4.8 Crores against Rs.3.8 Crores and for the year revenues grew by 29.9% at Rs.15.7 Crores against Rs. 12.1 Crores of last year.

That is all about the business highlights for the year and I now request the participants to put up 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 AMC. Please go ahead.

Aditya Khemka: Thanks for the opportunity and I have a few questions on the domestic business, Aditi madam, what would be the total sales related to COVID that we did in FY2022, I am assuming this would be non-recurring sales, so just wanted to understand the COVID related sales in FY2022?

Aditi Panandikar: Aditya for us most of our products were sort of not exactly only for COVID but they were specifically in anti-infectives and respiratory, these are kind of products which indirectly also got an impact of COVID related of COVID happening and increase consumption, so it is very difficult to exactly pin point for products but if I have to give you understanding, basically we got to the COVID tailwinds for three brands; one was Karvol Plus, second is ATN and the third marginally is Oxipod which is Cefpodoxime but that was more of recovery of market over the previous year were at the product predict, so frankly just about Karvol Plus and ATN and I estimate around 30 Crores of topline for the India business and upside come because of COVID, however both these brands show a solid support of prescription, so it is not the kind of sales that has come from over the counter purchase because of COVID, it is a solid sale back to back secondary and prescriptions from doctor and in case of ATN for example, we are now the third largest with Vibramycin brand and I feel confident that this advantage we got during COVID, we will be able to push it further. Coming to Karvol Plus, Karvol Plus is a kind of product which has a high repeat purchase element attached to it and COVID helped us get more of that, so to that extent possibly the additional sales we got from Karvol is what we stand to not get in the coming year.

Aditya Khemka: Understood, so in your assessment it is about 30 Crores and some of it may stick because prescription seems to be picking up infinitely?



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- Aditi Panandikar:** Yes.
- Aditya Khemka:** Okay, understood and madam, just wanted to understand on the prices, so in April we must have taken the price increase as for the price control products and some of the non-price control products, so if you could layout how much of the price increase have been taken in products under DPCO and how much of a price increase have you already taken and planning to take in the non-control basket?
- Aditi Panandikar:** Aditya, overall, for the organization we will get a price rise of about 6%.
- Sandeep Bambolkar:** For another product we have taken 10.73 as allowed by the Government and for the rest of the product as per a competition 4% to 5%.
- Aditya Khemka:** 4% to 5% for the rest of the products.
- Sandeep Bambolkar:** Yes.
- Aditya Khemka:** Okay and your Aniline for full is about 20% of the same?
- Sandeep Bambolkar:** No, 11%.
- Aditya Khemka:** 11%, okay so Aniline for full year is 11%, so 6% and lastly on the domestic business, madam, how do you see now on this base because we have let us say 30 Crores of non-recurring sales of COVID, so your base would actually be 770 and not really 800 and how would you really grow in the base of 800 in FY2023 and what would drive that close, so 6% would come probably by price, so what is the volume and for the products?
- Aditi Panandikar:** Interesting question Aditya, I am quite honestly the way this year is going to plan out because last year was the COVID year where performance fluctuated so heavily month over month and quarter over quarter, this year in order to benchmark a healthy performance for India business, we would be concentrating on our market share in the covered market. To be a much better barometer to assess how we are doing because the covered market as well as the Indian Pharma market is expected to growth would not be a correct to it of assessing health of the business in this year, so I am pretty confident this year all set and done over the last two years, it is not just a COVID basket but products across more therapy for Q4 has done extremely well and I feel we will be able to get a higher market share going ahead. We stay concentrated on prescription generation secondary and pushing products across various therapy basket. As you know the two main therapies which got support from COVID were anti-infective and respiratory but other than GI and Stoma, Stoma absolutely did not get touched to anyway neither when COVID happened and nor afterwards, so there we have a very steady steam



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business which is growing at double digit, this year I am expecting the dental and the gynec and ophthal portfolios which were impacted last year to start doing better as well as the colic therapy although we have a small percentage share and lit I expect it will grow at much higher levels, so we even expect muted growth from the two acute division, higher double digit growth from all the other divisions, that is how we are looking at.

Aditya Khemka: Understood, so in your assessment in the full year of FY2023 even IP can see flat volumes?

Aditi Panandikar: It looks like that as of now like I said it is going to be different month to month, so if you look at the last year and see April and May which were when a wave happened and then again January and February when a wave happened, so you would have to, it is very difficult to make generalized statement about the IPM but for the whole year, I think even IPM will correct and come back to its higher single digit growth actually.

Aditya Khemka: Understood madam that is helpful. One last question, this is probably for Vilas Sir, your gross margins for this quarter obviously were impacted by raw material inflation, have not seen 68% growth for the Indoco for a long time, so how do we feel about it, despite the price increase that we might be able to take in India irregulated markets will we be able to go back to our 70%+ gross margins?

Aditi Panandikar: Aditya, I know it is for Vilas but I hope I can answer, some of the headwinds specifically which impacted cost of goods and therefore impacted our GCs, there is no certainty about them to be very honest, we expect based on certain discussion internally and looking at the environment but at least for another quarter if not one more, we are likely to be impacted with higher cost of goods.

Aditya Khemka: Understood. Thank you madam, I will get back in the queue.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Aditi Madam, thank you very much for nice results, you and your team is doing fantastic job we give best wishes for future, our request is one investor presentation if you give along with the result, it is helpful for us to understand the company in more better way as I am new investor in the company, that is my request.

Aditi Panandikar: Okay, we typically send out a management discussion analysis, if it has not come to you this time, I request you to get in touch or we will know you details through the contact and we will ensure that you get it next time.



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- Ravi Naredi:** Okay Madam, thank you very much.
- Vilas Nagare:** If possible, we could send it to you tomorrow itself.
- Ravi Naredi:** Okay but it will be before con call it will be more better, so we can see that and then ask question according to highlight.
- Aditi Panandikar:** Our MD has gone out at around Q1 today, so I do not know why you have not got it but we will ensure.
- Vilas Nagare:** Your e-mail is not registered there; please send your e-mail and then we will make sure that we will send you.
- Ravi Naredi:** Okay, 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, I just had two questions, can you give me the capex for FY2023 and FY2024?
- Vilas Nagare:** Any other question on your side or that is the only one?
- Dhara Patwa:** No, I also wanted to know about the ophthalmic product portfolio, the new launches in the next two years for that?
- Vilas Nagare:** Capex for this year we are riding somewhere between 110 Crores to 120 Crores, that is first part of your question.
- Dhara Patwa:** Okay, so this will be mainly maintenance capex?
- Vilas Nagare:** No maintenance capex plus we are putting up fresh lines in our ophthalmic plant, so all put together I am talking of around 120 Crores.
- Dhara Patwa:** Okay and any color on the ophthalmic product portfolio, do you see to pan out in the next two years?
- Sandeep Bambolkar:** We have many ophthalmic coming up in the next two years. First is a product in partnership with TEVA, second is a steroid in combination with an antibiotic in partnership with another company, so



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ophthalmic is one of our strength, so we will be launching at least five to six new ophthalmic in the next one and half year to two years.

Dhara Patwa: Okay. I had one more question like there are two FCF filing which you are pursuing, can you share me the details over there like how do you see the market competition and now market size of these products?

Sandeep Bambolkar: You are referring to oral solid dosages?

Aditi Panandikar: Yes, we have not seen like liberties at this stage to discuss since I think you understand the different strategic advantage being an FDF.

Dhara Patwa: Yes sure. That is it. Thank you.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Good evening, everyone and thanks a lot for the opportunity and congratulations for good set of numbers. Firstly, Aditi Madam, wanted to understand as our revenue per salesperson has increased and what is our outlook for over next two years in this category?

Aditi Panandikar: Our PCPM or PHY permanent return now at 3.3 lakhs and in the next two years I expect it to get to around very close to 4. What was your second question?

Deepan Shankar: Can you provide outlook for our US and Europe business for next year?

Sandeep Bambolkar: US business is related to global about 40% by the end of the year and Europe which includes the main line Europe and UK will grow by about 20%.

Deepan Shankar: Okay, thank you and all the best.

Moderator: Thank you. The next question is from the line of Rahul Veera from Abakkus. Please go ahead.

Rahul Veera: Vilas just wanted to understand is there any profit share number in this quarter?

Vilas Nagare: Profit share for this quarter is 4 Crores while we have Dolorin come up of 18 Crores in this Q3.



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- Rahul Veera:** Yes, and just one more question from my side, all the other launches that you are doing with over the next two years is the profit share arrangement increasing with over the next two years is the profit share arrangement increasing?
- Sandeep Bambolkar:** Sorry, last part we do not hear properly.
- Rahul Veera:** Is it profit share number, is it increasing that whatever for the first product something Brinzolamide now for?
- Aditi Panadikar:** Yes generally speaking yes it is increasing, however product to product it is different the arrangement based on the upfront investment that each of us have to do, I hope you get it because there are some products with chemical trial related expenses, so there our share would be lower but in most other vanilla products solutions suspension it is indeed.
- Rahul Veera:** Right and Vilas, couple of contracts in Europe specifically from the Germany side, given the current situation across Europe is the deliver or everything is on FOB basis or CIO basis, just trying to understanding are we taking logistical cost on our books or how does it work?
- Vilas Nagare:** As a policy we are ex work.
- Rahul Veera:** Ex works, okay and this new contract coming across, Sir?
- Vilas Nagare:** New contracts, sorry?
- Rahul Veera:** Is there any new contract that you foresee across Europe or any other reason?
- Vilas Nagare:** Present contract continues right up to May 2023.
- Aditi Panandikar:** But order book with both Europe as well as US is very robust as said.
- Rahul Veera:** Sure, and that UK contract was normally related to Paracetamol, right?
- Vilas Nagare:** There are many products, Paracetamol, Cetirizine and there are at least 12 to 14 other products in UK.
- Rahul Veera:** Right. Thank you.
- Moderator:** Thank you. The next question is from the line of Vishal Manchanda from Nirmal Bang. Please go ahead.



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- Vishal Manchanda:** Thanks for the opportunity. Sir I missed you on Europe and US numbers, can you please share that?
- Sandeep Bambolkar:** Yes, US we had said we will go by 40% and Europe by 20%.
- Vishal Manchanda:** Sir, I am sorry, I mean the FY2022 or Q4 FY2022 US and Europe numbers?
- Aditi Panandikar:** Okay, that slide has remained I think I was sent later.
- Sandeep Bambolkar:** US quarter-on-quarter is about 70 Crores and Europe was about 80 Crores.
- Vishal Manchanda:** Europe was 80 Crores, okay and Sir one question related to capex, so this year the capex was around 125 Crores, can you share on what was the capex front on and could we see some benefit out of it in FY2023?
- Sandeep Bambolkar:** Yes, one part of capex was installing a new line in the sterile block, that is Goa plant 2 and that line has been installed and commissioned and it will be definitely full in a big way, the line will stop operating from around 20 June, that is next month and we will get benefit for right from 20 June onwards right up to March 2023, that is for the current year if you are talking about, that is one. Secondly, the operator blocks for high potency products which cannot be manufactured in a general area and there are substantially large contracts being signed in Europe for this product and Indoco will be one on one very, very few companies to have such kind of a segregated manufacturing.
- Aditi Panandikar:** This is for oral solid dosages.
- Sandeep Bambolkar:** Thirdly, we have also got within that block, another block which manufacture sustain release tablets and capsule, so that also will be to our big advantage, so like this there are three to four pieces which would give us huge advantage starting from July onwards.
- Vishal Manchanda:** Got it, so we should be commercialized and start delivering revenues in FY2023?
- Sandeep Bambolkar:** Yes, definitely.
- Vishal Manchanda:** Got it Sir and just on India, can you share what was the contribution of new products in the year FY2022 as a percentage of revenues?
- Aditi Panandikar:** Yes, around 2%.
- Vishal Manchanda:** Okay and can we expect a similar run rate in FY2023?



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- Aditi Panandikar:** We will do better on new launches going forward, most of these products were launched in the second half of this year also, we will have got full upside.
- Vishal Manchanda:** Okay and just one on Combigan, this product expired recently in US, and it is kind of the large ophthalmic product, so could you share whether Indoco can come into this product soon or not?
- Sandeep Bambolkar:** Yes, there was some information request it is from FDA which we have just answered, and we are aware, it is \$490 million market and Indoco will be the second generic possibly, so of course we are hoping to launch as fast as possible, that is all that I can say for a time being.
- Vishal Manchanda:** The information request, there was no grave issues in that information request?
- Sandeep Bambolkar:** No.
- Vishal Manchanda:** Got it. So, any timeline that you can share may be this quarter or the next quarter?
- Sandeep Bambolkar:** To be safe I think the product will be available in July in the US market.
- Vishal Manchanda:** Okay. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Kunal from Vallum India. Please go ahead.
- Kunal:** Thank you very much for the opportunity. I wanted to know firstly, could you please tell us the entire for FY2022 the entire profits are accounted for this year including those year income?
- Sandeep Bambolkar:** Basically, accounting of a profit share is on a receipt basis, we are little bit conservative in terms of accounting profit share because there is a complete process in place in terms of getting up reconcile statement of a profit share, when an ultimate sale happen in US markets, the working is shared with us, we review that and then only we account that, so we can assume that certain portion of profit share which got accounted will come into next year also.
- Kunal:** Okay, so you are saying that based on the conservative method which we use and accounting with the profit share a part of it where we have supplied the invention but part of that class is not accounted will come in the next...?
- Sandeep Bambolkar:** Yes.



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- Kunal:** Okay and just I wanted to understand I mean could you please explain the method based on how the innovator actually remits a profit share to us, stop the method or so whether it is based on you reaching the product in a certain market threshold because most companies will be seen as once the product becomes main stream for the front end partner and once the recent another share builds up, it is more or less on a quarterly basis where the profit share accounting does happen for appears, so can you give us an understanding of the method?
- Aditi Panandikar:** So frankly for us we are yet to get a consistent sale of any such product with Teva, so let us watch this year, I am expecting a similar pattern to happen.
- Kunal:** Okay and Madam, could you please let us know what is the closing market share as at the end of this quarter for Brinzolamide for our generic?
- Sandeep Bambolkar:** It might be around 5% to 7% right now.
- Kunal:** Okay because Sir in the past protocol I think what we have conveyed was just are about to somewhere closer to 20%, so I mean this is some incrementing things?
- Sandeep Bambolkar:** Yes, now again it will go up, so by July we should regain that position of 20%.
- Kunal:** Okay, there is any reason for the share to dip so sharply in a matter of one quarter or something?
- Aditi Panandikar:** There was some improvement in the packaging which was required and therefore there was lull in between manufacturing but manufacturing has started again and stock under.
- Kunal:** Sure, so what you are saying is that going ahead has been gain back the market share is probably even exceed that number which 20% number we see higher accounting for profit share going ahead in the next FY2023 and is reportedly having today?
- Aditi Panandikar:** Yes.
- Sandeep Bambolkar:** Yes.
- Kunal:** Okay, sure. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Dinesh Kotecha from KRIC. Please go ahead.



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- Dinesh Kotecha:** Good afternoon, Madam and good afternoon, Sir, I am Dinesh Kotecha from KRIC. I have got accounting question that is the R&D expenses has gone up by 25% year-on-year basis and this index corporate is nearly 20 Crores, so I would like to know how many I mean how much is the capitalize amount of the R&D because what we are showing in the profit and loss is revenue item of that?
- Sandeep Bambolkar:** Yes, we have a fixed policy that only when it is our own ANDAs, we capitalize the outgo and as soon as the approval comes, we write it on period of three years that is the constant policy and Pramod will just give you further details.
- Dinesh Kotecha:** No but how many products have been capitalized from the R&D I mean commercialized from the R&D in the current year?
- Pramod Ghorpade:** So, your question is about what are the amount which is capitalized on account of R&D presence, is that?
- Dinesh Kotecha:** No, how many products from the R&D has been commercialized during the year?
- Pramod Ghorpade:** How many products commercialized during the year?
- Dinesh Kotecha:** Yes.
- Pramod Ghorpade:** I think around 6 products launched during the year we can say.
- Dinesh Kotecha:** How many?
- Pramod Ghorpade:** Six.
- Dinesh Kotecha:** Okay and how many are in the pipeline right now in R&D?
- Sandeep Bambolkar:** If you want to know our ANDA pipeline then we have around again six to be five in the current year, every year that we would like to maintain.
- Pramod Ghorpade:** Okay, thank you very much. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Kunal Dhamesha from Macquarie. Please go ahead.



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- Kunal Dhamesha:** Thank you for taking my question, the first question is on the three linings, new lines that we talked about one on the injectables, and other one with respect to CNS and then one another how much capex or gross lock will we have for these three lines?
- Sandeep Bambolkar:** The injectables line and the two solid dosage lines put together about 55 Crores to 60 Crores.
- Kunal Dhamesha:** Okay, 55 Crores to 60 Crores and all these are then expected by the respective regulatory agencies basically start firing on revenue?
- Sandeep Bambolkar:** Not yet. As and when the regulatory agencies come down, they will be inspecting alliance, we are ready for any question.
- Kunal Dhamesha:** And these are more US and Europe focus or just US focus?
- Sandeep Bambolkar:** The ophthalmic is US focused and the solid processes are Europe focus.
- Kunal Dhamesha:** Okay, sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Hiten Boricha from Joindre Capital. Please go ahead.
- Hiten Boricha:** Thank you for the opportunity, my most of the questions have been answered, I have just one clarification, you mentioned it is 800 Crores revenue in domestic market and it would may grow by 70%, is that correct?
- Aditi Panandikar:** No, I think you are very confused, in the beginning there was a discussion in what percent of the 800 Crores we did this year is likely to be on account of additionally on account of COVID to which we said that around 30 Crores or less than that. India next year is looking to grow anywhere between 12% and 15% because we are coming out at the back of a very difficult year because lot of the acute portfolios directly and indirectly got impacted by the various waves of COVID, so we have to wait and watch to see the consumption pattern this year.
- Hiten Boricha:** That was the only question. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aditya Khemka from InCred AMC. Please go ahead.
- Aditya Khemka:** Thanks for the follow up. Sandeep Sir, just that you are able to increase prices in the domestic market, are we also able to increase prices in Europe and semi-regulated markets to pass on the cost pressure to our customers?



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- Sandeep Bambolkar:** Yes, in fact with in Europe we have definitely increased the prices to offset the higher input cost as also in ROW market, of course looking at the competition because we are marketing our own brands over there but whole process is on and in some territories we already got the price rise.
- Aditya Khemka:** Right and what about the US market in API segment?
- Sandeep Bambolkar:** US market, we have not seen any such pressure because mostly we are in niche areas of ophthalmic injectables, out of 20, 15 of our products are ophthalmic are injectables and the remaining four to five are solid dosages, so I think there is no problem over there.
- Aditya Khemka:** No, I was just adding one point to Sandeep Sir, the data from IMS suggest that there is actually inflation in sterile injectable products in the US and I know you have a few injectables as well on the market, so I was wondering by this year also same price inflation in your injectable basket?
- Sandeep Bambolkar:** Not really because at least two to three injectables products there are very, very less competition, so naturally the question of price erosion does not arise at all.
- Aditya Khemka:** Sandeep Sir, I was asking about price inflation, I am saying as there is a significant price inflation high single digit?
- Sandeep Bambolkar:** That benefit we will get.
- Aditya Khemka:** In your generic injectable in US?
- Sandeep Bambolkar:** Yes, of course.
- Aditya Khemka:** Okay and Aditi Madam to you the API part?
- Aditi Panandikar:** I was about to say that for us API still is a very small quantum of total sale for the next year also we expect to do external sales of about 120 Crores and almost equivalent amount will be internally consumption, so to that extent indirectly, yes, we will get hit because of higher prices of KSM but we have now seen this kind of a thing happening over the last two quarters, my understanding is now prices have started to stabilize, so hopefully, it will not get worse from here.
- Aditya Khemka:** Right and how many months of inventory of API and packing marketing do we keep at this point obviously because prices have insulated supplies constraint, so we will start sort of a mission?



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- Sandeep Bambolkar:** Packing material is around one month to one and a half month and API and raw materials two months at least.
- Aditya Khemka:** Two months at least and that is across geographies, has there been a business together?
- Sandeep Bambolkar:** Yes, mainly India business the quantum which is the highest next comes Europe and US.
- Aditya Khemka:** So, it is two months across India, Europe and US?
- Sandeep Bambolkar:** Yes, API is a two months minimum inventory, packing material one and a half months.
- Aditya Khemka:** Got it and lastly on the FRM market side, semi regulated market it is our own field foreseen some of these markets that is promoting or is it a contracted field course?
- Sandeep Bambolkar:** Yes, in franchise capital, it is entirely our field force, in the sense they are on the payroll of the agent, but we are funding all the costs. In Kenya, we are varying part of the cost, in Kenya and Tanzania, Sri Lanka again we are funding the entire cost, Myanmar we are funding the entire cost, so that is it.
- Aditya Khemka:** Sir how big for us was Myanmar because I understand Myanmar has been in political turmoil for last two years?
- Sandeep Bambolkar:** Not very big, the biggest in this French West Africa and Kenya, these are the biggest.
- Aditya Khemka:** French West Africa and Kenya.
- Sandeep Bambolkar:** French West Africa was about 50 Crores last year and Kenya was 28 Crores.
- Aditya Khemka:** Right and our API imports whether we do it from China or some other country, are they are built in US dollars?
- Sandeep Bambolkar:** Yes.
- Aditya Khemka:** So whatever benefit we get from US dollar depreciation by exporting to US will basically that nullified by whatever we import or is there a net positive exposure to the loan?
- Aditi Panandikar:** So small extend Aditya...
- Sandeep Bambolkar:** Because our imports are very less compared.



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- Aditya Khemka:** Okay, right and Sir last question for you on the semi regulated market currency, so we have seen significant amount again in different currencies in semi regulated markets given by multiple factors inflation geopolitical, how are we dealing with the currencies, are we delaying inversing in dollars to be FRMs or are we inversing in the local currency?
- Sandeep Bambolkar:** No, it is all in dollars, so we need not worry about the local currency.
- Aditya Khemka:** Okay, so that is the distributor there and take care of it?
- Sandeep Bambolkar:** Yes.
- Aditya Khemka:** Right, understood Sir, this is helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Ranveer Singh from Sunidhi Securities. Please go ahead.
- Ranveer Singh:** Thanks for taking my question, my question relates to India business, so that 30 Crores, which was COVID in dues failed in FY2022, so more of it were just quit towards Q2 or Q3 or part of it was in Q4 also?
- Aditi Panandikar:** It was spread across every quarter, our Q2 is typically when the season comes in, so there we did not see much of that but definitely in Q1 and Q4 we have seen that impact coming specifically in the month of April-May last year and again January, so three months last year we saw that impact.
- Ranveer Singh:** Okay, so why I am asking because if I go by product wise like in APM are that Karvol plus you mentioned that was influenced by COVID and in Q4 also the run rate has been updated difference, so what the part of it was influenced by COVID reflected demand in Q4?
- Aditi Panandikar:** Yes, in Q4 part of APM specifically was definitely influenced by COVID but across other therapies and other brand which you have seen we have done very well in Q4 and none of them really had the COVID push.
- Ranveer Singh:** Okay, so in Q4 the 38.5% growth Y-o-Y can you break it into volume, value and price growth?
- Aditi Panandikar:** Typically, as I said around 6% has come from price, 2% on new launches and the remaining is all volume and not all of that is only COVID.



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- Ranveer Singh:** Okay, understood, so this kind of run rate because what you mentioned that market share may go up that depend on how overall market grows but that run rate can we expect at least this run rate going forward to continue?
- Aditi Panandikar:** You know as I said these specific three of our months of last year where there was a spike because of COVID, in those months it might be challenging to grow over that base and therefore a particular quarter here on particular quarter would get impacted on growth, therefore I said let us look at market share but overall in the longer term that is on the full year basis even otherwise all our key brands, the top all the brands contributing to more than 90% of our India business are in pink of health has been supported with excellence prescription growth, so I am very confident that even if we take some headwinds of the market, the business is in great condition and over a year it should come back to some kind of normalcy for growth.
- Ranveer Singh:** Right and second on API side, I heard correctly you said 120 Crores revenue may come in FY2023?
- Aditi Panandikar:** Correct.
- Ranveer Singh:** Against 63 Crores in this year?
- Aditi Panandikar:** Yes.
- Ranveer Singh:** So, it is doubling the API?
- Aditi Panandikar:** Yes, if you see very low because we consume the lot internally and next year we have planned accordingly.
- Ranveer Singh:** Okay, thanks, that is it from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Cinderella Carvalho from JM Financial. Please go ahead.
- Cinderella Carvalho:** Thanks for the opportunity. Aditi Madam, how should we look at the domestic market some of growth prospective for FY2023?
- Aditi Panandikar:** Cinderella, If you heard any of the AWACs or (inaudible) 48:27 presentations of late, they are drawing various trendlines of over 24 months – 30 months period and showing that by certainly by Q3 this year, the market should come to some kind of normalcy on growth, a normal growth in the year [pre-COVID was around 10%, so IPM is expected to do 9% to 10% by Q3, before that of course



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there is going to be some optimal ups and down and all those things, we are confident of doing better than the market in fact I am pretty confident of doing in excess of 12%.

Cinderella Carvalho: That is helpful, Madam but if we look at our growth ambition, it is great in India apart from our core regions, you were planning to expand this to our non-core region within India, how is that plan going ahead and in terms of the volume coming in from the non-core regions in India how we should expect it to pan out in FY2023?

Aditi Panandikar: Yes, so specifically when it comes to new launches, we are seeing a pretty uniform performance across the country which is a good indication of work happening in the areas specially in the North where we are relatively weaker, other than the two acute division which are more skewed in West and South even those divisions in the eastern factory coming to bar but the dental and ophthal business and gynec business is pretty uniform across other region and so is the cardio divert business, so I expect over couple of years we will be able to get more from the weaker geographies in the North as well.

Cinderella Carvalho: Madam, if we correlate I mean we gave a growth number for US and Europe segments and with India also you just highlighted, so how should we look at our margin for FY2023 any sectors that you can help us benchmark to?

Aditi Panandikar: Cinderella, you know we are going for any challenging time right now with regard to increase prices of input material almost all freight, in that scenario we feel at this stage let us not give a very kind of a projection for the whole year but for the next quarter at least we feel we will be able to maintain the current levels of EBITDA and hopefully by Q2 we could do better.

Cinderella Carvalho: That is very helpful Madam. Thank you so much and all the very best.

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

Sandeep Bambolkar: On behalf of the management team, I sincerely thank all the participants for a very active con call with the management team. Thank you very much. Stay safe, stay healthy. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Centrum Broking that concludes this conference. We thank you all for joining us and you may now disconnect your lines.