

# Indoco Remedies Limited

## Management Discussion & Analysis for the Third Quarter FY18

### Financials (Stand-alone)

(₹ In Lakhs)

Particulars	Unaudited				Unaudited			Audited
	Quarter Ended				Nine Months Ended			Year Ended
	Dec'17	Sept'17	Dec'16	Gw %	Dec'17	Dec'16	Gw %	Mar'17
<b>Gross Sales (Net of Sales Returns)</b>								
Formulation :								
- Domestic	15593	18822	14415	8.2	44389	45492	(2.4)	58501
- Exports								
Regulated Market	7800	5940	9160	(14.8)	21088	24815	(15.0)	35125
Emerging Market	2147	1487	1641	30.8	4886	4475	9.2	6314
International Business Total	9947	7428	10801	(7.9)	25974	29290	(11.3)	41439
<b>Total Formulation ... ( A )</b>	<b>25540</b>	<b>26250</b>	<b>25216</b>	<b>1.3</b>	<b>70363</b>	<b>74782</b>	<b>(5.9)</b>	<b>99940</b>
API :								
- Domestic	454	649	574	(20.9)	1796	2195	(18.2)	2515
- Exports	1121	823	1250	(10.3)	2744	2746	(0.1)	3630
<b>Total API ... ( B )</b>	<b>1575</b>	<b>1472</b>	<b>1824</b>	<b>(13.7)</b>	<b>4540</b>	<b>4941</b>	<b>(8.1)</b>	<b>6145</b>
CRO & Analytical Services :								
- Domestic	304	282	181	68.0	942	387	143.4	580
<b>Total CRO ... ( C )</b>	<b>304</b>	<b>282</b>	<b>181</b>	<b>68.0</b>	<b>942</b>	<b>387</b>	<b>143.4</b>	<b>580</b>
<b>Total Gross Sales (A+B+C)</b>	<b>27419</b>	<b>28004</b>	<b>27221</b>	<b>0.7</b>	<b>75845</b>	<b>80110</b>	<b>(5.3)</b>	<b>106665</b>
Other Operating Income	393	477	561	(29.9)	1349	1602	(15.8)	2741
<b>Total Income from Operation</b>	<b>27812</b>	<b>28481</b>	<b>27782</b>	<b>0.1</b>	<b>77194</b>	<b>81712</b>	<b>(5.5)</b>	<b>109406</b>
EBIDTA	4321	4093	3916	10.3	8543	12405	(31.1)	15662
Operating Profit	3818	2850	3604	5.9	5858	10633	(44.9)	13890
Profit Before Tax	2434	1909	2336	4.2	2262	7095	(68.1)	9133
Profit After Tax	2266	1976	1759	28.8	2069	5951	(65.2)	7745

➤ **Financial Highlights**

Net revenues for the quarter were at ₹ 274.2 crores against ₹ 272.2 crores, same quarter last year. Formulations business contributed to 93% and API business contributed to 7 %. Year to date, the net revenues were at ₹ 758.4 crores as against ₹ 801.1 crores, same period last year.

During the quarter, the material consumption was 33.0 % of the net sales, compared to 36.1%, same quarter last year. Staff cost to net sales is 21.1% compared to 20.2 %. Depreciation / Amortization are at ₹ 17.3 crores, compared to ₹ 14.4 crores. Research & Development (R&D) expenses to net sales are 5.2 % at ₹ 14.4 crores, compared to 5.1 % at ₹ 13.8 crores. Other expenses to net sales are 26.3 % at ₹ 72.1 crores, compared to 26.3% at ₹ 71.5 crores.

For the Year to date, the material consumption is 34.5 % of the net sales, as against 35.5 %, same period last year. Staff cost to net sales is 22.4% as against 19.9 %. Depreciation / Amortization are at ₹ 51.4 crores, as against ₹ 47.9 crores. Research & Development (R&D) expenses to net sales are 5.2 % at ₹ 39.7 crores compared to 4.7% at ₹ 37.8 crores. Other expenses to net sales are 28.4% at ₹ 215.4 crores, as against 26.4 % at ₹ 211.6 crores.

Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA) to net sales for the quarter are 15.8 % at ₹ 43.2 crores, compared to 14.4 % at ₹ 39.2 crores, same quarter last year.

Year to date, Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA) to the net sales is 11.3% at ₹ 85.4 crores, as against 15.5 % at ₹ 124.0 crores, same period last year.

Profit Before Tax (PBT) for the quarter is 8.9 % of net sales at ₹ 24.3 crores, as against 8.6 % at ₹ 23.4 crores, same period last year.

Year to date, Profit Before Tax (PBT) is 3.0 % of net sales at ₹ 22.6 crores, as against 8.9 % at ₹ 70.9 crores, same period last year.

Profit After Tax (PAT) for the quarter is 8.3 % at ₹ 22.7 crores, as against 6.5 % at ₹ 17.6 crores, same quarter last year.

Year to date, Profit After Tax (PAT) is 2.7 % of net sales at ₹ 20.7 crores, as against 7.4% at ₹ 59.5 crores, same period last year.

## ➤ **Rating**

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

Instruments with A1+ rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

Instruments with AA- rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

## ➤ **Finished Dosages**

As per AWACS, the growth of IPM for the third quarter is 7.2% and for the nine months period, the growth stands at 4.8%. For the third quarter, IPM has added ₹ 2051 crores over same quarter last year, indicating that the impact of GST is now behind us and hopefully in the coming quarters, the Pharma Industry can look for an upward growth trajectory. Inventory days of IPM for the month of Nov'17 were 33 days. Inventory days of Indoco in Nov'17 were 34 days, which has improved from 32 days in Oct'17.

### **Secondary Sales Audit Ranking**

The Company ranks 30<sup>th</sup> in IPM with market share of 0.68% as on Dec'17 MAT basis. (Source: AWACs)

### **Prescription Ranking**

The Company ranks 23<sup>rd</sup> with prescription (Rx) share of 0.89 % as on Dec'17 MAT basis.

As per Strategic Marketing Solutions and Research Centre (SMSRC), the prescription (Rx) growth of 5 % registered by Indoco vis-à-vis industry growth of 2 % on Dec-17 MAT basis shows positive prospects for the Company. Within Companies ranked between 15th -30th, Indoco is one of the Company recording significant prescription (Rx) growth, indicating strength of the Company in prescription (Rx) generation amongst the various Doctor Specialties. (Source: SMSRC).

## Indoco's Domestic Formulation Business:

The Domestic formulations business for the quarter grew at 8.2% at ₹ 155.9 crores as against ₹ 144.1 crores for the same quarter last year. Year to date, the Domestic formulation business was at ₹ 443.9 crores, as against ₹ 454.9 crores.

### Details of revenues from major therapies are as follows:

(₹ In Lakhs)

Therapy	Q3FY18	Q3FY17	Gwth %
Respiratory	3148	2942	7.0
Stomatologicals	2741	2377	15.3
Anti-Infectives	2516	2182	15.3
Gastro Intestinal	1892	1726	9.6
Vitamins / Minerals	1165	886	31.5

### Details of revenues from major brands are as follows:

(₹ In Lakhs)

Brand	Q3FY18	Q3FY17	Gwth %
Febrex Plus	1677	1564	7.3
Cyclopam	1413	1287	9.8
Sensodent K	880	737	19.3
ATM	824	556	48.2
Oxipod	812	709	14.5
Karvol Plus	771	637	21.0
Cital	673	586	14.8
Cloben G	516	513	0.7
Sensoform	514	448	14.5
Methycal	496	159	-

### *New product introductions:*

During the quarter, the Company launched 5 new products, 4 in Vitamins / Minerals / Nutrition category and 1 in Ophthalmic category. Till date, the Company has launched 9 new products, 6 in Chronic, 2 in Sub-Chronic and 1 in the Acute segment.

### ➤ **International Formulation Business**

During the quarter, the International formulations business revenues were at ₹ 99.5 crores as against ₹ 108.0 crores, same quarter last year.

Year to date, the international formulation business was at ₹ 259.7 crores, as against ₹ 292.9 crores, same period last year. Europe contributed 51 % of International formulation sales, America at 13 %, South Africa, Australia & New Zealand at 17 % and Emerging markets at 19 %.

Company was honored with the “**Pharma Export Excellence Award 2017**” by Express Pharma on 9<sup>th</sup> November’17 for its contribution to the Pharma Industry.

### **USA**

During the quarter, the revenues were at ₹ 7.7 crores, as against ₹ 37.8 crores, same period last year. Year to date, the revenues were at ₹ 34.6 crores, as against ₹ 92.1 crores, same period last year.

USFDA inspection was scheduled from 15<sup>th</sup> to 19<sup>th</sup> January’18 at the Company’s solid dosage plant in Goa (Plant I). The Company has received 8 observations (483s) and is in the process of preparing its response for the same. The Company is in dialogue with USFDA with respect to the warning letter issued to Goa Plant II and Plant III.

### **Current Status of ANDAs:**

- ❖ 10 approvals till date
- ❖ 2 tentative approvals
- ❖ 35 filed, pending approval

## **Europe**

During the quarter, the revenues were at ₹ 54.2 crores, compared to ₹ 35.9 crores, same quarter last year. Year to date the revenues were at ₹ 132.1 crores as against ₹ 102.2 crores, same period last year. The Company is witnessing encouraging trends in its European Business with a 50% growth this quarter.

## **South Africa, Australia and New Zealand Business**

The revenues for the quarter were at ₹ 16.0 crores compared to ₹ 17.8 crores, same quarter last year. Year to date, the revenues were at ₹ 44.2 crores, as against ₹ 53.8 crores, same period last year.

## **Emerging Markets**

The revenues for the quarter were at ₹ 21.5 crores, compared to ₹ 16.4 crores, same period last year. Year to date, the revenues were at ₹ 48.9 crores, as against ₹ 44.7 crores, same period last year.

Secondary sales show positive growth in Kenya as well as FWA markets. Company launched Antimalarial tablets in Ivory Coast and initial trends are encouraging. Ophthalmic products launched in Tanzania are also showing a positive trend.

### ➤ **Active Pharmaceutical Ingredients (APIs)**

The revenues of API business were at ₹ 15.7 crores compared to ₹ 18.2 crores, same quarter last year. Year to date, the revenues of API business were at ₹ 45.4 crores as against ₹ 49.4 crores, same period last year.

### ➤ **CRO & Analytical Services**

During the quarter, revenues from CRO and Analytical Services business were at ₹ 3.0 crores, compared to ₹ 1.8 crores, same quarter last year. Year to date, the revenues were at ₹ 9.4 crores, as against ₹ 3.9 crores, same period last year.

## ➤ **Future Outlook**

The Company's Domestic business continues to focus on brand building, new product launches, thrust on sub-chronic (mass) segment and penetration in the North and East Region.

Going forward, the Company's business from US and EU is expected to grow speedily as ANDAs and Dossiers will be commercialized at regular intervals after resolution of USFDA's warning letter and EU approval of newly acquired solid dosages manufacturing facility at Baddi. While surging ahead in the Regulated Markets, Indoco is also consolidating its position in the Emerging Markets through active brand promotion. Robust pipeline in multiple dosage forms will enable the Company to have an upper edge over its competitors in the international business.

Expertise in Research & Development, backward integration in API in select products, own CRO set-up, excellence in finished dosages manufacturing and a strong customer base makes the Company, a preferred partner, offering complete solutions to generic companies worldwide.

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### **Safe Harbour**

Statements made in this Management Discussion and Analysis (MDA) describing the Company's objective, projections, estimates and expectations may be 'Forward-looking statements' within the meaning of applicable securities laws & regulations. Actual results could differ from those expressed or implied due to risks, uncertainties and inaccurate assumptions.